

**London School of Economics & Political Science
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Moving Ashore?

**Greek Shipowners, State Corporatism and
the Europeanisation of Maritime Transport**

Michael Joseph Romanos

January 31, 2008

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January 31, 2008

Michael Joseph Romanos

Abstract

As the European Commission muscled in the national configuration and domestic actors engaged with the EU institutions, the purpose of this dissertation is to explore the impact of Europeanisation on the state corporatist arrangement encompassing the Greek state and the shipowners. The central argument is that although there is evidence of the reshaping of the relations between the state and Greek shipowners, the direction of change varies across industry segments and is contingent on four conditions. Firstly, it is contingent on the nature of the Greek state and its ability to exercise 'integrated leadership'. Secondly, the domestic actors recognise and act upon the incongruence between EU initiatives and existing domestic or international policies. Thirdly, the shipowners possess the capacity to exit the domestic configuration through capital mobility. Fourthly, alongside the shipowners, the presence of influential formal or factual veto points in the domestic institutional arrangement. The argument made is sustained through the analysis of the impact of Europeanisation on the relations between the Greek state and shipowners in two case studies. The first case study is devoted to ocean-going shipping and the growing EU competence in maritime safety regulation, concentrating on the accelerated phasing-out of single-hull tankers and the constitution of criminal sanctions for ship-source pollution. The Greek ocean-going shipowners in consultation with the incumbent Greek governments mobilized at every possible level to halt or amend the EU initiatives. As a result, there is evidence of the reinforcement of state corporatism which is contingent on the unitary nature of the Greek state, the absence of integrated leadership, the incompatibility between EU and international policies, the capital mobility and ensuing structural power of ocean-going shipowners and the weakness of the other formal or factual veto points in the domestic political process. The second case study concentrates on the coastal shipping sector and EU measures to abolish the cabotage trades across the member states. The coastal shipowners, the incumbent Greek governments and the island communities engaged politically with the EU institutions in advancing their interests. In this instance, there is evidence of the loosening of the state corporatist arrangement between the Greek state and the coastal shipowners. In spite of the unitary nature of the state, the lack of 'integrated leadership' and the incongruence between the EU and domestic policies, the coastal shipowners were more embedded at the national level and contended with an influential factual veto point in the form of the island communities.

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Table of Contents

Chapter 1: Introduction.....	10
1.1: Setting the Scene.....	10
1.2 Analytical Framework and Central Argument	18
1.3: Structure of Thesis.....	22

Part I: Europeanisation, the Greek state and the Shipowners

Chapter 2: Theoretical Background and Analytical Framework.....	28
2.1 Conceptualizing change: Europeanisation and State-Business Relations.....	29
2.1.1 Defining Europeanisation.....	29
2.1.2 European Integration and Business Associability.....	35
2.2 Analytical Framework.....	45
2.3 Methodology.....	49
2.4 Europeanisation, Business Associability and Domestic Impact.....	52

Chapter 3: Europeanisation, the IMO and organized shipping.....	55
3.1 The IMO and International Maritime Regulation.....	56
3.2 The Evolution of the Common Maritime Transport Policy.....	64
3.3 EU Politics, Organised Shipping and the Greek shipowners.....	74
3.4 Europeanisation, the IMO and Organised Shipping.....	86

Chapter 4: The Greek Shipowners and Domestic State-Business Relations.....	90
4.1 The Weakness of the Greek State.....	92
4.2 The Autonomy of Business Interests.....	102
4.3 State-Business Relations.....	113
4.4 State Corporatism, the Greek state and Shipowners.....	124

Part II: Continuity and change: Negotiating the CMTP

Chapter 5: The Liberalisation of the Greek Coastal Shipping Market.....	128
5.1 From the Post-War Year to 2001.....	131
5.1.1 The Immediate Post-War Years.....	131
5.1.2 The <i>Heraklion</i> Accident.....	134
5.1.3 The Regulatory Framework.....	138
5.2 Negotiating the EU Maritime Cabotage Trades (1986 – 1992).....	144
5.3 Abolishing Cabotage.....	153
5.3.1 Industry Consolidation and Fleet Modernization	153
5.3.1.1 The Adriatic Sea Corridor	153
5.3.1.2 The Greek Coastal Transport Market.....	156
5.3.2 Reforming the ‘System of Licenses’.....	160
5.4 <i>Express Samina</i> and the Acceleration of Reform.....	167
5.5 January 2004 and the Shortage of Vessels.....	176
5.6 Coastal Shipping, Greek politics and the European Union	190
 Chapter 6: Greek Shipping, Maritime Safety and the European Union.....	 198
6.1 Ocean-going shipping and the Greek economy.....	201
6.2 International Regulation of Maritime Safety.....	206
6.2.1 MARPOL and Ship-Source Pollution.....	207
6.2.2 The <i>Exxon Valdez</i> and the Phasing-Out of Single-Hull Tankers.....	209
6.3 The Phasing-Out of Single-Hull Tankers.....	212
6.3.1 The <i>Erika</i> Accident.....	213
6.3.2 The <i>Prestige</i> Accident.....	226
6.4 The Directive on Ship-Source Pollution.....	241
6.5 Ocean-going Shipping, the Greek State and the European Union.....	257
 Chapter 7: Discussion of Empirical Findings.....	 266
 Chapter 8: Conclusion	 278
 Bibliography and Interviewees.....	 283

List of Tables and Figures

Table 1: Fee Contribution IMO Budget.....	66
Table 2: Timetable for adoption of IMO regulations.....	68
Table 3: Industry Associations and Greek Shipowners.....	93
Table 4: State – Shipowners Interdependence.....	136
Table 5: Revised MARPOL Regulation 13G (MEPC April 2001).....	236
Table 6: Revised Phasing-out Timetable (July 2003/Sept. 2005).....	251

Figure 1: YEN Organisation Chart.....	106
Figure 2: Greek Ferry Passenger Traffic (1997 – 2005).....	141
Figure 3: Greek Ferry Passenger Traffic per route (1995).....	142
Figure 4: Greek Ferry Market Share (passenger traffic 2006).....	170
Figure 5: Greek Ferry Fleet Development and Age Profile (2000 -2006).....	172
Figure 6: History of Tanker Freight Rates.....	214
Figure 7: Greek-owned Fleet (No. of vessels).....	216
Figure 8: Greek-owned Fleet (Dwt).....	216
Figure 9: World Bulk Fleet by Top 10 Flags (Dwt, 2006).....	218
Figure 10: Foreign Exchange Earnings from Shipping (\$US Millions).....	219
Figure 11: Timeline of MARPOL revisions.....	254

Chapter 1

Chapter 1: Introduction

1.1 Setting the Scene

On the thirteenth of May 2004, at the London headquarters of the International Maritime Organisation (IMO), the Greek Minister of Mercantile Marine met simultaneously with the IMO General Secretary and the Greek Shipping Cooperation Committee (GSCC) to discuss the expanding EU competence in the regulation of maritime transport. In Athens, the Union of Greek Shipowners (UGS) was in contact with Greek MEPs to ensure that their interests were represented at the Transport Committee of the EU Parliament. The European Commission was pushing ahead with controversial measures on the designation of criminal sanctions for ship-source pollution. These initiatives were opposed by the Greek shipowners and interpreted as incompatible with existing international maritime safety legislation. By contrast, thirty-five MPs from the main Greek opposition party sent a letter criticising the government of undermining the reputation of country by not siding with the other EU members during the Council of Transport Ministers meeting on ship-source pollution.

On the sixteenth of December 2004 the island prefectures of the Dodecanese, Cyclades, Lesvos, Samos and Chios organised a large demonstration outside the Ministry of Merchant Marine in Piraeus. The island communities were calling for regular and affordable sea transport services and the recognition by the EU of their exceptional circumstances. Concurrently, the Minister for the Aegean and Island Policy was attending an informal Council of Ministers in Rotterdam presenting evidence on the economic decline of the island communities. The Minister put forward the proposal that coastal transport should be partially financed from EU

funds. Back in Greece, the government was under criticism by the opposition party for conducting secret negotiations with the industry associations of the coastal shipowners, punishing the island communities that had not voted for the government in the most recent elections. Yet, the coastal shipowners were publicly commending the European Commission for sending a letter of formal notice to the Greek government for having not completed the liberalisation of the domestic market.

Indeed, the starting point of this dissertation is to analyse the impact of the expanding EU competence in maritime transport regulation on the relations between the Greek state and the shipowners. As the EU muscles in the domestic configuration and domestic actors engage with the EU institutions, the concept of Europeanisation is employed to interpret the ensuing political process. In compiling the statistics of the Kingdom of Greece in 1868, Demetrius Bikelas noted that, "...the extensive coast of Greece, her position in the Mediterranean, and the natural aptitude of her inhabitants for the sea, explain the development of her mercantile navy" (Bikelas 1868: 282). The continuing significance of the shipping industry for the Greek economy is manifested in the ocean-going and coastal shipping segments. Greek ocean-going shipowners control the largest fleet worldwide of dry bulk and tanker ships comprising 3,338 vessels and accounting for 17.1 percent of world tonnage (in dwt) (Lloyd's Register – Fairplay March 2006, UGS Annual Report 2004 – 05). Accordingly, merchant shipping makes a substantial contribution to the Greek national economy, generating nearly five percent of the Gross Domestic Product (GDP) and representing a source of employment, technology transfer and investments in other sectors such as energy, banking, insurance and tourism. The prominent position of Greek ocean-going shipping is attributed to the family-based structure of shipping companies, clan-like

networks extending into the industry and the state corporatist relations between the Greek state and ocean-going shipowners (Lavdas 2005, Stefanidis and Mourdoukoutas 2005, Harlaftis and Theotokas 2004, Lavdas 1997, Harlaftis 1996, Harlaftis 1993, Legg 1969). This arrangement is embedded within an international industry, underpinned by self regulation, unfettered competition and internationally agreed rules and standards. (Kumar and Hoffman 2002, Haralambides 1998, Branch 1996, Yannopoulos 1989, Farthing 1987). The International Maritime Organisation (IMO) provides the institutional forum for the negotiation and approval of these international rules and regulations. (Mankabady 1986, Mankabady 1984, Juda 1977). Greece maintains an influential position within the IMO which is manifested in the country's membership in the IMO Council, the provision of technical expertise and knowledge and the active attendance in sub-committee and committee meetings. Certainly, this may be the sole field of international policy-making that is characterised by Greece's leading involvement in the negotiation process and shaping of policy outcomes.

In parallel, coastal shipping has developed as a separate yet integral segment due to Greece's archipelagic geography. The Greek coastal shipowners were responsible for the transportation of the largest number of ferry passengers in the EU for 2004 and thus contributing to the social cohesion and territorial integrity of the 124 inhabited islands with the Greek mainland (ESPO National Statistics 2004). Alongside family operations, since the 1970s coastal shipping consisted of 'people-based' companies that maintained close ties with their native islands. By contrast to the free competition principles underpinning ocean-going shipping, coastal shipping in Greece has been a cabotage trade, reserving the provision of transport services to passenger ferries

flying the Greek flag. The 'system of licenses' was setup to prevent 'destructive competition' between coastal shipping companies and 'predatory pricing' against passengers (Steer Davies Gleave 2005, Giannopoulos and Aifandopoulou-Klimis 2004, Lekakou 2002, OECD 2000, Psaraftis 1996, Sturmey, Panagakos and Psaraftis 1994). As part of this arrangement, the Ministry of Mercantile Marine (YEN) maintained considerable discretion in issuing licenses to coastal shipowners for servicing specified routes over the entire economic life of the vessel, which could extend well over thirty years. A state corporatist arrangement emerged resting on the longstanding ties between YEN, the coastal shipowners that held the licences and island communities. This resulted in high institutional barriers of market entry that stifled competition and shaped a coastal shipping segment that was characterised by old passenger ferries, unreliable services and a poor safety record (Psaraftis 2002, Lekakou, Papandreou and Stergiopoulos 2002, Psaraftis 1996).

Within the context of extensive state involvement in the economy, regime discontinuities in twentieth century Greek politics spawned a patchwork of state-business relations across industry sectors that was interpreted as 'disjointed corporatism' (Lavdas 2005, Molina and Rhodes 2002: 308, Lavdas and Lanza 2000, Lavdas 1997). Given the overarching patterns of 'disjointed corporatism', it was maintained that the relations between the state and Greek shipowners took the form of state corporatism. This is manifested in the monopolistic representation, hierarchical coordination and formal recognition of shipowner associations and in their regular interaction with the Greek state and consultation prior to legislative deliberation (Schmitter and Grote 1997, Wilson 1990, Cohen and Pavoncello 1987, Schmitter 1977). The Union of Greek Shipowners (UGS) and the Union of Coastal Shipowners

(EEA) are the peak associations in the ocean-going and coastal shipping segments, involved in the negotiation of collective wage agreements with seafarers. In tandem, the Greek Shipping Cooperation Committee (GSCC) articulates the interests of the Greek shipowners located in London whilst the Greek Shipowners Association for Passengers Ships (EEEP) and the Mediterranean Cargo Vessels Shipowners Union (EEMFP) represent respectively shipowners on international passenger routes and shortsea cargo shipowners. The shipowner associations maintain informal and formal access to the incumbent Greek government, YEN and MPs and their participation in the consultation on draft legislation is institutionalised through the National Shipping Policy Council (NSPC), the Hellenic Chamber of Shipping (HCS) and the Council of Coastal Transport (CCT). Notably, this state corporatist arrangement is not shaped by the domination of the state as the theorists of corporatism would anticipate (Schmitter and Grote 1997, Schmitter 1979, Schmitter 1977). Rather, this arrangement is determined by the autonomy and capital mobility of the Greek shipowners (Lavdas 2005, Lavdas and Lanza 2000, Lavdas 1997, Aspinwall 1995, Strange 1976). The ocean-going shipowners are in a position to exercise structural power, as they hold the option to withdraw vessels from the Greek registry and relocate their operations to other international maritime centres (Aspinwall 1998, Gill 1995, Hirschman 1970).

Against this background and since the mid-1980s the EU rapidly expanded its presence in the regulation of the commercial and safety aspects of maritime transport. This expansion was encouraged by landmark European Court of Justice (ECJ) rulings, the declining competitiveness of the European Community (EC) merchant fleet and successive waves of enlargement, especially the accessions of the United Kingdom, Denmark, Greece, Cyprus and Malta (Selkou and Roe 2004, Pallis 2002,

Paixao and Marlow 2001, Kiriazidis 1994, Bredima-Savopoulou and Tzoannos 1990, Pantelidis 1979). In combining the commercial and safety aspects of maritime transport, it was advanced that open competition and the elimination of substandard shipping would enhance the competitive position of EU flagged shipping. Regarding the IMO, the European Commission recognised the primacy of the international level, by designing measures that would buttress the implementation and enforcement of internationally accepted standards (CEC Com 66/93, CEC Com 266/89, CEC Com 90/85). Nonetheless, in the 1996 maritime strategy, the European Commission questioned the status quo by proposing measures that sought to address the weaknesses of the IMO and departed from existing international standards (Mitropoulos 1998, CEC Com 81/96). Moreover, following the high-profile maritime accidents of the *Erika* in 1999 and the *Prestige* in 2002, the European Commission put forward measures that went beyond international maritime safety standards. Amongst the proposals, the accelerated phasing-out of single-hull tankers and the criminal sanctions for ship-source pollution were strongly opposed by the Greek government and the ocean-going shipowners. In influencing the policy-making process at the EU level, there was extensive consultation and coordination between the incumbent governments and the industry associations of the ocean-going shipowners. The European Commission was confronted with a constellation of formal and factual veto points, including the Greek government, the UGS, GSCC and a plethora of international shipping associations. The Greek shipowners mobilized at the national and European levels, utilising every access point in seeking to favourably shape the EU policy-making process.

Alongside measures affecting ocean-going shipping, the EU sought to reform the domestic coastal trades within member states. Indeed, as part of the broader project of the completion of the single market, the European Commission proposed the abolition of EU member state cabotage trades in 1986. In the ensuing negotiations the opposition of the Greek government and coastal shipowners culminated in a political compromise that took the form of Regulation 3577/92. Although the Regulation stipulated the liberalisation of domestic coastal shipping across the EU, a derogation period of eleven years was accepted for Greece. Given the importance of coastal shipping for the social cohesion of the country, it was argued that this period would allow coastal shipowners to prepare for the arrival of foreign competition. The anticipated opening of the market in January 2004 instigated economic and institutional changes to the Greek coastal shipping market. Nevertheless, even after the advent of the formal deadline the terms of liberalisation remained under negotiation between the European Commission, the EEA, EEEP, YEN and the island communities.

The purpose of this dissertation is to analyse the impact of the expanding EU competence in maritime transport regulation on the relations between the Greek state and the shipowners. As the EU muscles in the domestic configuration and domestic actors engage with the EU institutions, the concept of Europeanisation is employed to capture the ‘top-down’ and ‘bottom up’ effects on the relations between the Greek state and shipowners. In accordance with several examinations of the Europeanisation of state-society relations in Greece, it would be anticipated that that EU involvement in maritime transport regulation would loosen the state corporatist arrangement between the Greek state and the shipowners (Pelagidis 2005, Mouzelis and

Pagoulatos 2002, Morlino 2002, Aspinwall and Greenwood 1998, Ioakimidis 1996, Diamandouros 1994). It is maintained that especially in the southern EU member states, the ties between the state and business are weakened, as the former represent the interests of other constituencies such as the general public or environmentalists, whilst the latter benefit from direct interaction with the EU institutions. Several commentators argue that Europeanisation should entail the retreat of the Greek state and parties, releasing political space for a variety of interest groups, including business interests (Sotiropoulos 2004, Kazakos 2004, Mouzelis and Pagoulatos 2002, Morlino 2002, Paraskevopoulos 2001, Ioakimidis 1996, Diamandouros 1994). Illustratively, it was claimed that “... Europeanisation has been a powerful force for redefining the role, functions and powers of the state and ... the rebalancing of powers and a redefinition of boundaries between the state and society in favour of the latter. The state has certainly lost its unchallenged ability to impose its grip upon society and control the economy” (Ioakimidis 1999).

The empirical evidence that is presented in this dissertation indicates that Europeanization has contributed to the reshaping of the relations between the state and shipowners. Nevertheless, the direction of this change does not axiomatically entail the weakening of the state corporatist configuration. This observation is sustained through the analysis of the impact of Europeanisation on the relations between the Greek state and shipowners in two case studies. The first case study corresponds to the impact of the EU initiatives seeking the opening of the domestic cabotage trades. Resting on the adoption of Regulation 3577/92 as a political compromise, the terms of liberalisation are under negotiation between the European Commission, the coastal shipowners, YEN and the island communities. The

regulatory framework that underpinned the close ties between the Greek state and the coastal shipowners is being replaced by a more transparent arrangement that encourages market competition and institutionalises the participation of the island communities in the policy-making process. The second case study is related to the impact of the expansion of EU competence in the regulation of maritime transport safety on the relations between the Greek state and ocean-going shipowners. In particular, attention is drawn to the phasing-out of single-hull tankers and the ship-source pollution measures that were vehemently opposed by the national, European and international industry associations of the ocean-going shipowners. In this instance, there is evidence of the reinforcement of the state corporatist arrangement encompassing the Greek state and the ocean-going shipowners.

It would appear that Europeanisation contributes to opposing directions of political change by loosening the relations between the Greek state and shipowners in coastal shipping, whilst reinforcing state corporatism in ocean-going shipping. This contradictory process is in line with a growing consensus in the theoretical literature that Europeanisation is accompanied by asymmetry and fragmentation as the domestic impact varies across sectors and institutions (Featherstone 2005, Featherstone and Kazamias 2001, Featherstone 1998). Therefore, building on this interpretation, the purpose of the dissertation is to identify and analyse the conditions that account for the observed differentiation in the domestic impact of Europeanisation on the two segments of the Greek shipping industry.

In addition, the dissertation seeks to make an empirical contribution by providing an analysis of the relations between the state and the Greek shipowners, particularly in

the post-authoritarian years of Greek politics. In spite of the importance of the shipping industry to the Greek economy, the relations between the state and shipowners have not received attention from political scientists. Certainly, apart from scattered references claiming that "...business power vis-à-vis the state has been exceptional" or that shipping enjoys "...unlimited access" to the Greek government, existing research on the political dimension of Greek shipping is limited (Lavdas 2005, Lavdas and Lanza 2000, Lavdas 1997, Harlaftis 1996, Harlaftis 1995, Harlaftis 1993, Milios and Ioakeimoglou 1991, Legg 1979).

1.2 Analytical Framework and Central Argument

The proposed framework is intended to provide a conceptualisation encompassing the 'top-down' and 'bottom-up' effects of Europeanisation on the domestic relations between the Greek state and shipowners. Inductive and deductive approaches were employed in setting up the analytical framework. The focus on the differentiated impact of Europeanisation on the domestic relations between the Greek state and shipowners was inductively identified from empirical data on the evolution of state corporatist relations in the Greek shipping industry. Yet, identifying the conditions underpinning this differentiation required continuous shifting between the inductive and deductive perspectives. Resting on an integrative understanding of institutions and political change, the framework draws from institutionalism in analysing the 'top-down' effects and emphasizes agency in the interpretation of the 'bottom-up' dynamics of the Europeanisation of the Greek domestic configuration (Schmidt and Radaelli 2004, Jupille, Caporaso and Checkel 2003, Checkel and Moravcsik 2001).

In analysing the ‘top-down’ impact of Europeanisation on domestic politics, a framework consisting of three levels is put forward (Heritier and Knill 2001, Knill 2001, Heritier and Knill 2000). The first level corresponds to the degree of congruence between the EU and domestic policies in a particular sector. Although incongruence between the two levels may generate adaptation pressures, this does not automatically entail domestic change. Rather, the occurrence of change is contingent on the domestic ‘reform capacity’ which is defined as the provision of ‘integrated political leadership’ by the state and the number of formal and factual veto points that are opposed to reform (Heritier and Knill 2001, Knill 2001 Heritier and Knill 2000).

At the same time, the analytical framework emphasises agency in the interpretation of the ‘bottom-up’ dynamics of Europeanisation on the domestic relations between the Greek state and shipowners. It is recognised that the political engagement of domestic actors at the EU level has repercussions on the domestic distribution of power and the institutional configuration (Radaelli 2004, Jacquot and Woll 2003a, Jacquot and Woll 2003b, Hennis 2001: 83). The ‘top-down’ domestic redistribution of opportunities must be recognised and acted upon by domestic actors, in other words, ‘there is no impact without usage’ (Radaelli 2004, Jacquot and Woll 2003a, Irondelle 2003: 212).

Resting on this analytical framework, the main argument of this dissertation is that the direction of domestic political change differs across industry segments and is contingent on four conditions. Firstly, the nature of the Greek state and its ability to exercise ‘integrated leadership’. Secondly, domestic actors recognising and acting upon the incompatibility between the EU measures and existing domestic or international policies. Thirdly, the shipowners’ capacity to exit the domestic

configuration through capital mobility. Fourthly, aside from the shipowners, the presence of competing formal or factual veto points in the domestic institutional arrangement.

The analytical framework is applied to a single country case study concentrating on the shipping industry in Greece. As the framework examines a political process unfolding across the international, European and domestic levels, the single country case study offers opportunities for data collection and ‘measurement refinement’ that would not be possible in cross-national case studies (Golden 2005). This form of ‘thick description’ allows for the testing and inspection of the differentiated domestic impact of Europeanization as theorised in the respective literature (Landman 2003, Pennings, Keman and Kleinnijenhuis 2005). In addition, the two policy sectors of ocean-going and coastal shipping are characterised by state corporatism and are exposed to the ‘top-down’ and ‘bottom-up’ Europeanisation dynamics, whilst concurrently were subject to dissimilar conditions and forces. The coastal shipowners are more embedded at the national level whilst the ocean-going shipowners operate in an international industry.

The first case study on the abolition of the domestic cabotage trades in coastal shipping commences in 1985 with the issuance by the European Commission of the first package of proposals on maritime transport (CEC Com 90/85). The Greek coastal shipowners and YEN opposed the European Commission proposals and in the ensuing negotiations a political compromise was reached in 1992 that took the form of regulation 3577/92. Acknowledging the importance of coastal shipping in ensuring the social cohesion and territorial integrity of Greece, there was a derogation period

of eleven years culminating in January 2004. The case study covers the period until March 2006 as in spite of the advent of the formal deadline, the terms of liberalisation remain under negotiation between the coastal shipowners, YEN and the island communities.

The second case study begins in December 1999 with the maritime accident of the single-hull tanker *Erika*. In seeking to address the weaknesses of the international maritime safety framework, the European Commission pursued the accelerated phasing-out of single-hull tankers and the designation of criminal sanctions for ship-source pollution (CEC Com 142/00, CEC Com 105/03). A second maritime accident involving the single-hull tanker *Prestige* in November 2002 instigated an even more stringent phasing-out timetable for single-hull tankers by the European Commission (CEC Com 681/02). These were vehemently opposed by the Greek ocean-going shipowners who mobilised at the national and EU levels with the purpose of blocking or amending the European Commission proposals. The negotiations culminated in the adoption of Regulation 417/02 accelerating the phasing-out of single-hull tankers and Directive 35/05 on ship-source pollution and the introduction of sanctions, including criminal sanctions for pollution offences. The case study covers this period until December 2005 with the formal request for judicial review of Directive 35/05 at the High Court in London by a coalition of Greek and international shipping associations.

1.3 Structure of Thesis

Chapter Two is devoted to an analysis of the theoretical approaches informing the analytical framework of this dissertation. The chapter commences with an examination of the concept of Europeanisation through the theoretical perspectives of intergovernmentalism, neofunctionalism and multi-level governance. Although offering divergent accounts of the impact of European integration on the role of state, these approaches share an emphasis on ‘bottom-up’ dynamics. In parallel to the acceleration of European integration in the mid-1980s, there was increasing interest in the ‘top-down’ effects of Europeanisation. The evolution of the respective literature culminated in the designation of Europeanisation as an interactive process, encompassing ‘bottom-up’ and ‘top-down’ effects. Accordingly, the interrelations between European integration and business associability are examined as domestic actors utilised the direct, national association and European association routes in seeking to influence EU policy-making. In conjunction, there was evidence of the ‘top-down’ impact of Europeanisation on domestic business associations in Southern European countries, manifested in the loosening of state-business relations and the increasing autonomy of business interests. The theoretical discussion allows for the analytical framework to take shape and the identification of four conditions that account for the differentiated domestic impact of Europeanisation.

Chapter Three The purpose of this chapter is to establish the empirical background regarding international maritime transport policy-making. Indeed, in understanding the expansion of EU competence in maritime transport, particularly in the ocean-going sector, an investigation into the evolution of international maritime transport

regulation is required. The International Maritime Organisation is the central institutional forum for the negotiation and adoption of international maritime safety standards. Within this institutional arrangement, Greece is in a position to shape and influence the negotiating process and an attempt to explain this prominence is made. Amongst other factors, attention is drawn to Greece's participation in the IMO Council, the provision of technical expertise and active attendance of IMO internal meetings. However, over the years in spite of the successes of the IMO, several shortcomings became evident in the form of inconsistent implementation, feeble enforcement of internationally accepted legislation, the slow decision-making process of the IMO and the prevalence of lowest common denominator outcomes. The chapter goes on to demonstrate how the EU sought to utilise the IMO's weaknesses in pursuing measures beyond the international maritime safety regime, questioning the exclusivity of the IMO on such issues. Against this international background the evolving role of the European Union is interpreted. Indeed, the origins and development of the Common Maritime Transport Policy are presented. In response to the increasing presence of the EU in maritime transport regulation, international and European shipowner associations actively engaged with the EU institutions in seeking to influence legislation. The influential position of the Greek shipowners in these associations is explored and attributed to their sizeable membership, supply of technical expertise and industry knowledge and active participation in the internal workings and formulation of policy positions.

Chapter Four concentrates on the development of the relations between the Greek state and the shipowners, underpinned by a state corporatist arrangement. It is argued that regime discontinuities in twentieth century Greek politics spawned a patchwork

of state-business relations, characterised by 'disjointed corporatism'. Despite the extensive presence of the state in the regulation of the Greek economy, the Greek state is theorised as weak and susceptible to party politics. The greater organisational resources, legitimacy and internal cohesiveness of political parties underpinned the instrumentalization of the state for the distribution of jobs and favours to party loyalists. As part of the state configuration, YEN was established in recognition of the importance of shipping for the Greek economy. Despite the penetration of YEN by party politics, national policies on ocean-going and coastal shipping were consistent throughout the post-authoritarian period. Subsequently, attention is drawn to the forms of collective organisation and political influence of business interests. It is argued that the existing literature on Greek state-society relations downplays the autonomy of business interests. The primary industry associations in the ocean-going and coastal shipping segments are presented in analysing their autonomy vis-à-vis the state and political parties. Resting on the interpretations of a weak state and autonomous shipowner interests, the chapter turns to the elaboration of their relations. It is maintained that the state corporatist interaction of the Greek state and shipowners was manifested in monopolistic representation, hierarchical coordination, formal recognition, regular interaction and consultation prior to legislative deliberation. In converse to the expectations of the theorists of corporatism, the emergence of state corporatism in shipping is attributed to the structural power of the shipowners and not the state domination of the sector.

Chapter Five is dedicated to the first empirical case study on the liberalisation of the domestic cabotage trades in Greek coastal shipping. The chapter begins with the historical overview of the evolution of Greek coastal shipping and the examination of

the regulatory framework comprising cabotage reservations and the ‘system of licenses’. The primary objectives of this arrangement were preventing ‘catastrophic competition’ between coastal shipowners, protecting passengers from ‘predatory pricing’ and ensuring the social cohesion and territorial integrity of the inhabited islands with the Greek mainland. Nonetheless, as part of the first maritime transport package of measures in 1986, the European Commission proposed the abolition of cabotage restrictions within the EU member states. These proposals were vehemently opposed by the coastal shipowner associations, YEN and island communities and the ensuing negotiations culminated in the adoption of Regulation 3577/92, stipulating a derogation period of eleven years for the opening of the domestic cabotage trades. The chapter continues by describing the ensuing changes in the structure of Greek coastal shipping through industry consolidation, market restructuring and fleet renewal was accompanied by the reshaping of the internal composition of coastal shipowner associations and the reconfiguration of formal and factual veto points. In spite of the completion of the derogation period, the terms of liberalisation remain under negotiation between the European Commission, coastal shipowners, YEN and the island communities. Yet, there is evidence of the loosening of the state corporatist arrangement between the state and the coastal shipowners, whilst the political influence of the island communities became formalised in the institutional framework.

Chapter Six involves the second case study on the expansion of EU competence in maritime safety regulation and especially the accelerated phasing-out of single-hull tankers and the constitution of criminal sanctions for ship-source pollution. Initially, the existing international legislation and standards on the phasing-out of single-hull

tankers and ship-source pollution are examined. Triggered by two high-profile maritime accidents with single-hull tankers in the EU waters, the European Commission put forward a set of proposals that went beyond international legislation and questioned the primacy of the international level in the regulation of maritime transport safety and marine pollution prevention. The Greek shipowner associations were in opposition to the principle of adopting regional measures as well as the content of the European Commission proposals. In the negotiations that followed there is evidence of the political engagement of the Greek shipowners with the EU institutions through the direct, national association and European association routes. EU material and immaterial resources were employed across different stages of the policy-making cycle in seeking the favourable shaping of legislation. In tandem, there was considerable consultation and coordination with the Greek government as an access point to the Council of Ministers. By contrast to the coastal shipping case, the domestic impact of Europeanisation results in the reinforcement of the state corporatist arrangement between the Greek state and the ocean-going shipowners.

Chapter Six serves as a discussion of the findings in the two preceding empirical case studies. The empirical evidence gathered from the ocean-going and coastal shipping segments is compared and related to the analytical framework that was articulated in Chapter Two. This leads on to *Chapter Seven* which outlines the concluding remarks of the dissertation. The chapter seeks to draw attention to broader observations stemming from the findings of this dissertation and offer suggestions for future research in relation to the differentiated domestic impact of Europeanisation and potential new avenues of investigation in Greek comparative politics.

Chapter 2

Chapter 2: Theoretical Background and Analytical Framework

The purpose of this chapter is to present the theoretical background and methodology underpinning the empirical findings and analytical framework of this dissertation. The concept of Europeanisation is employed in linking the EU political process with domestic change at the member state level. The chapter commences with an overview of the evolution of the concept of Europeanisation as it was interpreted by the theoretical strands of neofunctionalism, intergovernmentalism and multi-level governance. Despite differences in the analysis of European integration and the role of the state, these approaches shared a bottom-up perspective. As the pace of European integration intensified in the mid-1980s, growing interrelations between European integration and business associability were observed. With the evolution of the literature, there was increasing agreement that Europeanisation denotes an interactive process involving 'bottom-up' and 'top-down' dynamics attention was drawn to the 'top-down' effects of EU policy-making. Subsequently, the chapter turns to lobbying efforts of domestic actors in influencing the EU policy-making process. This leads on to a discussion of the growing evidence of the 'top-down' impact of European integration on state-business relations. Emphasis is placed to the diverging interpretations of the domestic impact of Europeanisation on the Southern EU member states.

2.1 Conceptualising Change: Europeanisation and Business Associability

2.1.1 Defining Europeanisation

In a burgeoning literature, Europeanisation has had decidedly contested interpretations. It has been employed to signify European integration, political unification, policy transfer mechanisms between European states, longitudinal historical processes, transnational cultural diffusion, external boundary shifts and the export of institutions to non-EU states (Featherstone 2003, Goldsmith 2003, Page 2003, Anderson 2002, Bulmer and Burch 2001, Knill 2001, Bulmer and Burch 1998). Nevertheless, in recent years there is growing consensus that Europeanisation denotes the domestic impact of European integration (Radaelli 2004, Featherstone 2003, Olsen 2002, Green-Cowles, Risse and Caporaso 2001, Goetz and Hix 2000).

The avant-garde authors of European studies concentrated on the dynamics of European integration and the unfolding of the political process at the European level. Emphasis was placed on the formation of a European state that would supplant or amalgamate the individual member states. Indeed, there was little interest in the domestic impact of European integration, partly reflecting the limited discretion and extent of the EU in formulating policies and legislation. The discussion followed three theoretical strands, namely intergovernmentalism, neo-functionalism and multilevel governance. In spite of diverging predictions, all three approaches shared a 'bottom-up' interpretation of European integration that entailed the formation of a political community at the European level by the member states. By contrast, the impact of European integration on domestic institutional configurations was not a part of the research agenda.

Proponents of intergovernmentalism maintained that European integration was strengthening the nation state. Growing interdependence at the international level required resources that were beyond the capacities of individual states. Through regional integration, the problem-solving capacity as well as the legitimacy of the member states would be buttressed (Moravcsik 1994: 63). In tandem, the state remained the protagonist at the European level and as a gatekeeper it held the initiative in the allocation of resources vis-à-vis domestic actors (Pollack 2001: 226). In converse, according to the neo-functionalist approach, European integration was eroding the state. The expansion of EU competencies was providing domestic actors with opportunities to circumvent national governments in the formulation of policies. At the same time, the transfer of competencies and resources spawned the formation of interest groups at the European level. The ensuing direct linkages between domestic and transnational actors would underpin the emergence of a European political community (Pentland 1973: 101, Haas 1972: 92, Haas 1958: 16). Representing a moderate position, the Multi-Level Governance perspective claimed neither the reinforcement nor the enfeeblement of the state. It was advanced that the state was undergoing a process of transformation, as the European, national and sub-national levels were becoming intertwined and eventually indistinguishable (Marks and Hooghe, 2004: 16 – 22).

However, with European integration regaining momentum in the 1980s, the research programme was recast. Instead of emphasizing the integration of states at the European level, the analytical focus was reversed, suggesting that the expansion of EU competence can alter domestic policies, politics and polities. Within this strand of ‘top-down’ theorizing, two generations of authors can be discerned. The first

generation of theorists of Europeanisation was preoccupied with the ‘top-down’ domestic impact of European integration (Dyson and Goetz 2003: 15, Bache 2003: 6 – 7). The differentiated nature of this impact was recognized, as it variegated across time, member states, regions and policy areas (Gamble and Buller 2002: 19). The links between European and domestic levels were not unmediated, as EU induced pressures were ‘refracted’ by differentiated domestic conditions. According to one account, this resulted in ‘...domestic adaptation with national colours’ (Risse, Green Cowles and Caporaso 2001). Illustratively, in a study on the Europeanisation of the British central government, it was observed that although substantial change had occurred, ‘it has been more or less in keeping with British traditions’ (Bulmer and Burch 1998: 603). It has been put forward that three mechanisms of Europeanisation were discernable in the forms of positive integration, negative integration and framing integration (Knill and Lehmkuhl 1999: 2 – 3). Positive integration involved the exact transposition of an EU model to the domestic level, whereas negative integration entailed modifications or the reform of the domestic opportunity structure. Further, ‘framing integration’ unfolded by reconstituting the beliefs and preferences of domestic actors. Alternative interpretations of this taxonomy were provided by other authors, notably the distinction between mimetism, regulatory competition, ‘minimalist’ directives and the open method of coordination (Radaelli 2003: 41 – 3).

In elucidating the mechanisms of domestic change, the ‘goodness of fit’ hypothesis was introduced (Risse, Green Cowles and Caporaso 2001: 6 – 7). A misfit occurred if the EU processes, policies and institutions were incompatible with domestic processes, policies and institutions. The ensuing incongruence generated adaptation pressures. However, misfit denoted a necessary but not sufficient condition for

domestic change (Borzel and Risse 2003: 60 – 3). The incompatibility between the EU and domestic levels generated new opportunities and constraints for domestic actors. Their capacity to utilize the opportunities and circumvent the constraints was determined by a number of mediating factors. Drawing from rational choice institutionalism, the number of veto points and the existence of formal institutions shaped the responses of domestic actors (Borzel and Risse 2003: 64 – 5). Veto players were defined as individual or collective actors who were in a position to obstruct reform to the regulatory or institutional status quo. The larger the number of veto players, the more unlikely was the occurrence of reform. Moreover, formal institutions provided ideational and material resources in assisting domestic actors to exploit opportunities emanating from the European level. In parallel, informed by sociological institutionalism, additional mediating factors were ‘norm entrepreneurs’ and the political culture. Persuasion and advocacy were employed by ‘norm entrepreneurs’ in reconstituting preferences and identities. Hence, it was argued that informal institutions and inter-subjective understandings shaped responses to Europeanisation (Borzel and Risse 2003: 67 – 8).

This framework was elaborated by a second generation of Europeanisation writings, reflecting wider attempts to integrate the insights of institutionalism and constructivism (Checkel, Caporaso and Jupille 2003: 15 – 7). The definition of Europeanisation introduced by the first generation of authors rested primarily on institutionalism. This material conception of politics was gradually complemented by an appreciation of ideational dynamics. It was maintained that alongside shaping opportunities and constraints, institutions supplied agents with an understanding of their interests (Checkel, Caporaso and Jupille 2003: 14). Mutual constitution

underpinned this process, as the interaction of agents and structures reshaped identities and preferences (Checkel 1999: 548). Therefore, the research programme was broadened, accounting for identities, interests, discourse, learning and socialization (Schmidt and Radaelli 2004: 183 – 4, Christiansen, Jorgensen and Wiener 2001: 2 – 3). Departing from a ‘narrow’ emphasis on ‘top-down’ processes, Europeanisation was portrayed “...as part of a dynamic and interactive process that includes ‘downloading’ as well as ‘uploading’ processes”. Yet, to avoid confusion with the notion of European integration, downloading was designated as a ‘defining’ feature, whilst ‘uploading’ as an ‘accompanying’ property (Dyson and Goetz 2003: 15).

As national and EU policies and institutions were ‘open to interpretation’, the notion of misfit was challenged. Rather than a fixed interpretation, it was advanced that misfits were constructed by domestic actors. Hence, attention should be drawn to domestic opportunity structures, policy beliefs and discourse. EU requirements and recommendations were exploited by domestic actors in pursuit of their preferences (Dyson and Goetz 2003: 17). Similarly, the EU was instrumentalised by domestic actors in legitimizing policy change as well as obstructing reform (Thatcher 2004: 286, Hay and Rosamond 2002: 163). Thus, the point of departure for this research was the definition of Europeanisation that was detailed by Klaus H. Goetz and Kenneth Dyson (2003: 20). In the words of the two authors,

“...Europeanisation denotes a complex interactive ‘top-down’ and ‘bottom-up’ process in which domestic polities, politics and policies are shaped by European integration and in which domestic actors use European integration to

shape the domestic arena. It may produce either continuity or change and potentially variable and contingent outcomes”.

By referring to European integration, the definition stretched the investigation to incorporate policy formulation. Alongside expanded EU competencies, the independent variable could be the bargaining process of expansion. In advance of deciding to expand EU competences, the unfolding of negotiations involved ‘top-down’ Europeanisation effects. Even though negotiations may not engender European legislation, the interruption and recasting of domestic politics could be anticipated. Contrarily to the claim that Europeanisation necessarily entailed change, it was conjectured that policy continuity was contingent on ‘top-down’ and ‘bottom-up’ Europeanisation (Gamble – Buller 2002: 27). Hence, the domestic impact of Europeanisation may be triggered by proposals on the future extension of EU competence. The circulation of an EU Commission proposal reverberated at the domestic level, instigating responses by the domestic constellations of actors. Seeking to preserve or modify the domestic status quo, domestic actors instrumentalised the proposals and mobilized at all accessible venues. In the words of Simon Bulmer and Claudio Radaelli (2004) “...the process of agreeing EU policy was inextricably linked with the prospect, later in the policy process, that a change in policy will ensue at the national level”. Successful uploading of domestic preferences could reduce adaptation pressures if the proposed measures were eventually endorsed at the EU level (Dyson and Goetz 2003: 15).

Recapitulating, literature on Europeanisation was developed by two generations of authors. The first generation of authors concentrated on the efforts of states to form a

political community at the European level. By contrast, the second generation of writing drew attention to the ‘top-down’ effect of European integration, employing the notion of Europeanisation to interpret the impact of the expansion of EU competence on domestic policies, politics and polities. This approach was underpinned by the different strands of institutionalism in analyzing how EU induced pressures for reform were mediated through domestic veto points, formal institutions, norm entrepreneurs and the political culture. Integrating the insights of the above authors, second generation literature recognized Europeanisation as an interactive process involving ‘defining downloading’ and ‘accompanying uploading’ properties. In conjunction, instead of reproducing the division between constructivism and institutionalism, the pertinence of veto players, formal and informal institutions and discourse was recognized. Accordingly, for this thesis Europeanisation was understood as an interactive process involving the impact of EU policy-making on domestic policies and politics and the usage of EU resources by domestic actors in shaping the domestic and EU political process.

2.1.2 European Integration and Business Associability

An extensive body of literature on the relationship between European integration and business associability had emerged. There was agreement that the increasing complexity of the EU institutional configuration entailed a plethora of channels and access points for business interests to influence the political process. According to Van Schendelen (1993) in such as political environment business interests were confronted not with a shortage “... but an over-supply of potential routes” to policy-makers. At the same time, the EU shaped the organization, composition and

articulation of business interests. Indicatively the European Commission encouraged the development of European business associations by offering privileged access to such organizations (Fairbrass 2004, Bouwen 2002, Lahusen 2002, Greenwood and Aspinwall 1998, Eising and Kohler-Koch 1994, Van Schendelen 1993, Mazey and Richardson 1993, Greenwood, Grote and Ronit 1992, Streeck and Schmitter 1991). It was maintained that commencing from the Single European Act the mobilization of business interests at the EU level grew rapidly, encompassing Euro-groups, European associations, ad hoc coalitions of companies and political consultancies. In deciphering the political engagement of business interests three primary channels of influence were identified, the direct route, the national association route and the indirect route through European or international associations. In parallel, an increasingly important phenomenon was the hiring of political consultants as an additional source of influence in shaping EU policy-making.

The direct route of influencing the EU political process involved the formulation of a 'Brussels strategy' by an individual corporation. There was evidence of companies engaging directly with the EU institutions, especially the European Commission in articulating their positions on issues of pertinence (Coen 1997, Pollack 1997, Grant 1993). Depending on the policy area, this was limited to large, often transnational companies that had the resources to design a political strategy and the legitimacy to gain direct access to the EU institutions (Coen and Dannreuther 2003). According to one study, the direct route was more likely to be employed when national associations consisted of large corporations, the industry was highly consolidated and national associations were small (Bennett 1999). However, it was seldom the case that the direct route was the sole channel a company utilized in promoting its interests. Rather,

it was argued that the direct route would constitute one aspect of a multi-channel strategy designed to influence EU legislation. In the words of Coen (1997), "...it has become accepted practice by European affairs directors that collective and direct strategies, national and European mobilization were all simultaneously required, if influence was to be maximized in the Brussels arena". Even further, there was evidence of national associations using individual member companies to lobby on their behalf at the EU (Bennett 1997). The employment of the direct route was not applicable to the shipping industry. This was attributed to the fragmentation of the shipping industry, comprising numerous small to medium-sized companies.¹ Although there were a handful of sizeable companies, particularly in the liner shipping sector, there was an absence of evidence regarding direct mobilization at the EU level.

A more prevalent route utilised by companies was through national associations engaging either with national governments or EU institutions. As national governments participated in EU policy-making through the Council, this provided an access point for national associations. Underpinned by long-standing interaction, it was argued that national associations maintained considerable access to their respective governments. In turn, national governments exerted influence at the technical committees through national civil servants and at the Council through the respective Ministers. It was maintained that the likelihood of selecting the national association as the primary channel of influence at the EU level was larger when an industry sector was not internationalised, the domestic sector was highly regulated,

¹ Using market capitalisation as a proxy of company size, Frontline Ltd, the largest European tanker company had a stock market capitalisation of US\$ 2.5 billion on April 24, 2006. However, this remains small compared to the large European corporations (*Lloyd's List – Bloomberg Top 50 Shipping Index* April 24, 2006).

industry consolidation varied amongst EU member states or there were distinct national interests. In tandem, there was evidence of national associations developing 'Brussels strategies' in engaging directly with the European Commission and the European Parliament. Corresponding to the size of the resources committed, there were plentiful examples of national associations establishing a physical presence at the European level, primarily through an office in Brussels (Grant 2001). Several instances of EU mobilization by national shipping associations can be cited. Illustratively, the Danish Shipowners Association established a permanent presence in Brussels in 1989 during the EU negotiations on the second package of maritime transport measures. It was anticipated that the direct involvement of DSA representatives would ensure the effective articulation of the Danish shipowners' decisions, circumventing the existing European shipowners' associations (Interview with Director of Danish Shipowners' Association March 2006). A similar initiative was taken by the Swedish Shipowners' Association in establishing a permanent Brussels office in the mid-1990s (Interview with Head of Brussels Representation of Swedish Shipowners' Association April 2006). At the same time, both associations employed indirect channels of influence as members of the respective European associations. In these instances, the establishment of permanent Brussels office was part of a multi-channel strategy in favourably shaping EU policy-making.

In parallel to the intensification of European integration since the mid-1980s, the European and international industry association routes witnessed the most growth. European associations varied according to their membership, with the so-called Euro-groups being the most prevalent form of organisation. Euro-groups were comprised of national, sector or branch associations in seeking to represent the interests of an entire

industry or sector across the EU member states (Mazey and Richardson 1993, Van Schendelen 1993). In the words of one commentator, Euro-groups did not bring together individual companies but were involved in 'organising organizations' (Pijnenburg 1998). Although not as common as Euro-groups, there was a number of European Associations that restricted their memberships to individual companies. In representing the interests of shipowners at the European level, the primary Euro-group was the European Community Shipowners' Associations (ECSA) consisting of national shipowners' associations. Concurrently, there were several international shipowner associations that were involved in EU lobbying and consisted of shipping companies, notably the International Association of Independent Tanker Owners (Intertanko), the International Association of Dry Cargo Shipowners (Intercargo) and the Baltic and International Maritime Council (BIMCO). Literature on the mobilization of business interests at the EU level concentrated on the internal dynamics, influence and effectiveness of Euro-groups. These associations engaged primarily in the collection of information, the facilitation of coordination between the member organizations and the undertaking of lobbying (Greenwood 2002: 8 – 10). It was argued that especially small and medium-sized enterprises could benefit from the formation of associations as they lacked the resources or legitimacy to directly influence the European Commission (Coen and Dannreuther 2003). It was advanced that in comparison to an individual corporation or national association, a European association was more likely to gain the attention of the European Commission (Camerra-Rowe 2004: 4). Moreover, European associations performed service and lobbying functions (Pijnenburg 1998). The service function referred to the provision of exclusive information to the members by monitoring political developments and the legislative output at the EU level. With the expansion of EU competence, this

became a central function of European associations. The lobbying function entailed the political engagement with EU institutions in shaping favourably decisions and legislation. This took various forms such as direct engagement with European Commission officials, the provision of technical expertise and knowledge to the European Commission and the participation in public hearings at the European Parliament (Interview with Director General of Chamber of Shipping March 2006, Interview with Secretary General of European Tugowners Association March 2006).

There was wide agreement that Euro-groups were not an effective route in influencing EU policy-making (Jordan and McLaughlin 1993). This was partly attributed to the limited resources Euro-groups were endowed with, although this differed across industry sectors. It was advanced that national associations were reluctant to transfer resources to European associations. However, this was linked to the status and internal organisation of the European association to the extent that the payment of regular membership fees was compulsory or the organisation was financed from voluntary donations. An additional source of financing was the European Commission but this applied mainly to interest groups that were not representing business interests. In a survey conducted on European interest groups, it was established that one-fifth received EU funding with approximately five percent stating that this was their main source of funding (Greenwood 1997). Another characteristic of European associations was the lack of autonomy from the member national organisations (Pijnenburg 1998). It was maintained that the objectives and lobbying activities of these organisations were determined by the national associations. Yet, it was argued that the autonomy and effectiveness of an association were highly correlated. Autonomous associations were able to dictate and pursue long-term objectives without succumbing to the short-

term concerns of their members. Autonomy was linked to the possession of independent resources, skilled leadership and a decision-making arrangement that could not be captured by a minority of members (Greenwood and Westgeest 2002: 229 – 231, Greenwood 2002: 151 – 2). The lack of autonomy rendered European associations susceptible to the differences in the lobbying style and political culture of their member national associations. The prevalence of a particular lobbying style was associated to the internal power dynamics of the European association. Most likely certain national associations were more influential due to larger resources and greater relevance in the specific industry. Consequently, the lobbying style of these associations would disproportionately inform the strategy and approach of their respective European associations. Moreover, attention was drawn to the divisions between the members of European associations on the issues that were negotiated at the EU level (Pijnenburg 1998). Reaching agreement on common positions could be elusive, resulting in lowest common denominator outcomes. Due to the weakness of Euro-groups, it was maintained that these organizations constituted one channel of influence within a portfolio of lobbying activities by business interests. In the words of Coen (1997), the “...European federations represent high cost options with their membership fees, yet a desire not to be excluded from the club and long-term political games, regardless of the federations’ effectiveness in the short term, draws firms into active participation”.

Given the weaknesses of the Euro-groups mechanism, an alternative form of institutional representation at the EU level was through the formation of informal clubs, round tables or ad-hoc coalitions (Coen and Dannreuther 2003, Van Apeldoorn 2000, Pijnenburg 1998). Informal clubs and round tables allowed a variety of actors,

including European associations, national associations or individual companies to meet with the purpose of discussing issues of mutual interest and coordinating lobbying efforts. These were informal arrangements that were not supported by a dedicated secretariat. With respect to the lobbying efforts of the shipping industry, there were several such arrangements and most notably, the Round Table of International Shipping Associations. Four major international shipping associations formed the Round Table to avoid duplication and cooperate in promoting the interests of the shipping industry at the EU and the International Maritime Organization (Interview with Secretary of International Chamber of Shipping February 2006, Interview with Manager of Intercargo March 2006). Compared to Euro-groups, ad hoc coalitions represent a less formal mechanism for organizing business interests. Although supported by a dedicated secretariat, ad hoc coalitions were characterized by a single-issue profile, limited duration and autonomy of the coalition partners (Pijnenburg 1998). Illustratively, some of the largest companies in the liner shipping industry formed the European Liner Affairs Association (ELAA) in May 2003. The purpose of the ELAA was to represent the interests of the liner companies in the European Commission review of Council Regulation 4056/86. The mandate of the association was devoted to a single issue and once the review process was completed, the ELAA would be disbanded (Interview with Executive Director of ELAA March 2006).

Although the 'bottom-up' lobbying efforts of business interests received considerable attention, the same does not apply with respect to the 'top-down' effect of European integration on domestic state-business relations. Some commentators argued that state-business relations at the national level remain 'sticky' with limited evidence of

change due to European integration (Grote and Lang 2003). In a study of business associations in the Netherlands, it was established that in spite of European integration, the domestic institutional configuration remained largely unchanged. The EU involvement of domestic business associations was interpreted as a supplementary activity with little impact on the relations between business interests and the state (Wilts 2001). Nonetheless, it was countered that European integration was not only spawning change at the domestic level, but was contributing to the reshaping of state-business relations, especially in the southern EU member states (Morlino 2002: 252, Jordan and Fairbrass 2002: 143, Aspinwall 1998: 212, Aspinwall and Greenwood 1998). The emergence of multiple access points allowed business interests to engage in ‘venue shopping’ in effectively advancing their positions. European integration was expanding the choice of political options available to domestic firms, offering “a degree of latitude as to how ‘European’ they behave” (Coen 1997). National institutional arrangements were being changed by providing new European roles for established domestic channels of influence. Similarly, formerly pivotal national channels of influence became less significant as European institutions joined the political process. Nonetheless, the top-down effects of European integration differed across member states. According to one study, as business interests in the United Kingdom were historically accustomed to competing for the attention of the government, adjusting to the lobbying opportunities of the EU was effortless. In converse, in EU member states such as France, Germany and Italy, the institutionalized lobbying arrangement of business interests with the state delayed the recognition of the declining relevance of national channels of influence (Coen 1997). Likewise, it was argued that European integration was loosening the close ties between the French state and domestic business interests. On the one hand, the

autonomy of the state in the French institutional configuration was weakened as the French government increasingly shared the drafting of legislation with the EU institutions. On the other hand, the autonomy of French business increased as it tightened its bonds with the European Commission and EU business counterparts (Schmidt 1996: 247). Moreover, several studies suggested that European integration was reshaping state-business relations in the southern EU member states (Morlino 2002: 252, Aspinwall and Greenwood 1998). In the case of Greece there was evidence of the loosening of the patronage relations between the state and business interests (Pagoulatos 2005, Featherstone 2005, Aranitou 2002, Blavoukos 2002, Lavdas 2005, Lavdas 1997). It was argued that a combination of global pressures and European integration strengthened the domestic position of business associations in Greece (Aranitou 2002). Top-down pressures from the EU were inducing the reconfiguration of state-business relations through institutional reform and the redistribution of structural power. Greek business interests, particularly the segments that were not accustomed to state protectionism, expanded their autonomy from the state (Pagoulatos 2005, Blavoukos 2002). European integration was contributing to the redrawing of state-business relations in Greece, although the direction and extent of change remained inconclusive (Featherstone 2005).

In sum, the increasing complexity of the EU policy-making process entailed numerous access points for the representation of business interests. According to one commentator, the EU institutional arrangement, "...with its many internal links between the different bodies and its variety of external linkages with the member states, provides an almost infinite number of access points" (Van Schendelen 1993). Accordingly, there was substantial evidence of domestic business interests engaging

with the EU institutions in seeking to influence legislation. Three main channels of influence were distinguished encompassing the direct, the national association and the European or international association routes. The direct route referred to individual companies lobbying EU institutions involving large, transnational corporations that maintain the resources and legitimacy to formulate their own 'Brussels strategies'. A more common means of influencing policies was the national association route, whereby domestic associations lobbied their respective governments or established a physical presence in Brussels. Nonetheless, the European association route received the most consideration in the literature. Euro-groups consisting of national associations monitored EU political developments and legislative output and lobbied the EU institutions on behalf of their members. The effectiveness of Euro-groups was questioned due to limited resources, lack of autonomy and internal conflicts between member organizations. Nonetheless, it was maintained that these routes were not mutually exclusive and it was most likely that business interests would be employing a combination of channels of influence in advancing their interests at the EU level. Unlike 'bottom-up' dynamics, the 'top-down' effect of European integration on domestic state-business relations had not received comparable attention. The majority of existing research suggested that European integration was reconfiguring the position of business interests in domestic politics. In varying degrees across the EU member states, the autonomy of business interests was increasing as companies sought to politically engage with the EU institutions. Especially in relation to the South European EU member states, it was argued that European integration was loosening state-business relations, releasing political space for the business interests that were not reliant on state protectionism. As European integration spawned new

political dynamics, there was agreement that the direction and scope of domestic change was unresolved.

2.2 Analytical Framework

The proposed framework is intended to provide a conceptualisation encompassing the ‘top-down’ and ‘bottom-up’ effects of Europeanisation on the domestic relations between the Greek state and shipowners. In interpreting the ‘top-down’ effects of Europeanisation, the analytical framework draws from the theoretical insights of new institutionalism (Peters 1999, Hall and Taylor 1996, Dowding 1994, Hall 1986). The notion of ‘institutions’ was employed to refer to the “...formal rules, compliance procedures and standard operating practices that structure the relationship between individuals in various units of the polity and economy” (Hall 1986: 19). Political institutions have a first order impact in defining the collective actors that participate in the political process and by structuring their strategies and interactions. In tandem, it was acknowledged that political institutions can have a second order effect by shaping the preferences and ideas of collective actors (Hall and Taylor 1996). Accordingly, two mediating logics of domestic institutional change in response to Europeanisation are employed (Boerzel and Risse 2003, Boerzel and Risse 2000). Rational choice institutionalism applies the ‘logic of consequentialism’ in interpreting the domestic impact as the redistribution of political resources and re-shaping of the opportunity structure of actors. Conceptualised as ‘single loop learning’, actors receive new information, adjust their strategies but continue to pursue fixed interests (Schmidt and Radaelli 2004, Boerzel and Risse 2003: 64 – 5, Schmidt 1996: 224 – 5, Hall and Taylor 1995). The sociological variant of institutionalism follows the ‘logic of appropriateness’ in identifying social learning as the prime mechanism of domestic change reshaping the identities, preferences and interests of the domestic actors

(Boerzel and Risse 2003, Risse, Cowles and Caporaso 2001, Checkel and Moravcsik 2001, Hall and Taylor 1995).

In analysing the ‘top-down’ impact of Europeanisation on domestic politics, a framework comprising of three levels is advanced (Heritier and Knill 2001, Knill 2001, Heritier and Knill 2000). The first level consists of the degree of congruence between the EU and domestic policies in a particular sector. The incompatibility between the two levels spawns adaptation pressures on the domestic arrangement. Yet, incongruence does not automatically entail domestic change. Rather, the occurrence of change is contingent on the domestic ‘reform capacity’ which is defined as the number of formal and factual veto points that are opposed to reform and the provision of ‘integrated political leadership’ (Heritier and Knill 2001, Knill 2001, Heritier and Knill 2000). A veto point can be understood as a collective agent or institution that due to its influence and location in the domestic political process can obstruct reform (Caporaso 2004, Heritier and Knill 2001, Knill 1999). The larger the number of veto players, the more unlikely change to the status quo becomes (Tsebelis 2002: 19). In tandem, integrated political leadership can be provided by formal majoritarian government or an effective tradition of consensual decision-making incorporating divergent interests.

In parallel, the analytical framework emphasises agency in the interpretation of the ‘bottom-up’ dynamics of Europeanisation on the domestic relations between the Greek state and shipowners. In the words of one commentator, “...how do domestic actors use Europe to shape the domestic arena?” (Goetz 2003). The political engagement of domestic actors at the EU level has repercussions on the domestic

distribution of power and the institutional configuration (Radaelli 2004, Jacquot and Woll 2003a, Jacquot and Woll 2003b, Hennis 2001: 83). It has been argued that the ‘top-down’ domestic redistribution of opportunities and resources does not suffice in bringing about political change. Rather, collective actors must recognise these opportunities as resources and act upon them, in other words, ‘there is no impact without usage’ (Radaelli 2004, Jacquot and Woll 2003a, Irondelle 2003: 212). Explicitly, usage was defined as “...practices and political interactions which adjust and redefine themselves by seizing the EU as a set of opportunities” (Jacquot and Woll 2003a, Jacquot and Woll 2003b). This is an important interpretation in addressing the operationalization difficulties of applying ‘top-down’ institutionalism. Although ‘top-down’ Europeanisation may be altering the domestic configuration, the documentation of change by a researcher can be elusive, unless it is accepted that domestic actors recognise and use the available resources.

In elaborating the ‘bottom-up’ dynamics a distinction is drawn between material resources involving European institutions, policy instruments and financing and immaterial resources referring to cognitive interpretations, causal ideas and normative beliefs (Jacquot and Woll 2003a, Jacquot and Woll 2003b, Checkel, Caporaso and Jupille 2003, Christiansen, Jorgensen and Wiener 2001, Surel 2000). The usage of European institutions enables domestic actors to participate in the deliberation of policy problems and to influence the formulation of policy decisions at the EU level. Accordingly, “...the process of agreeing EU policy is inextricably linked with the prospect, later in the policy process, that a change in policy will ensue at the national level” (Bulmer and Radaelli 2004: 5, Jordan and Fairbrass 2002, McLaughlin and Grant 1993). Usage of EU institutions bestows credibility to domestic actors and

provides them with new ideas or information that could place them at an advantage to domestic competitors. Policy instruments could be constraining in the form of directives and court judgments or less restrictive, represented by soft law instruments such as resolutions, recommendations communications (Jacquot and Woll 2003b: 12). Moreover, financing refers to funds allocated by the European Commission for the participation of collective actors in specific projects. With respect to immaterial resources, cognitive interpretations enable actors to understand and describe policy developments, causal ideas refer to cause-and-effect explanations of change whilst normative beliefs denote value judgements (Jacquot and Woll 2003b, Borzel and Risse 2003, Surel 2000). Once policy incongruence is acknowledged, the actors maintain the discretion to employ EU material and immaterial resources in cognitive, strategic or legitimising ways (Jacquot and Woll 2003b). These types of usage correspond to specific political stages in relation to the definition of problems and solutions, policy-making and justification. Cognitive usage is attached to the deliberative stage of the political process, involving on the one hand, the understanding and interpretation of facts and events and on the other hand, employing persuasion to spread these interpretations amongst other actors (Surel 2000: 500). Strategic usage entails the conversion of resources into political practices with the purpose of achieving a clearly outlined objective. Hence, resources are used in order to influence policy decisions, extend an actor's range of political tools or increase access to the political process. Legitimising usage enhances the legitimacy of domestic policies by making reference to the EU and European integration. Its most common manifestation was in the form of rhetorical appeals to the 'European Idea' or 'European constraints' (Jacquot and Woll 2003a, Jacquot and Woll 2003b, Surel 2000). The domestic proponents of policy change may exercise 'blame-shift' or use

the EU as a ‘smokescreen for domestic political strategies’ in overcoming resistance to reform (Cole and Drake 2000, Featherstone 1998: 35 – 6).

Resting on this analytical framework, the main argument of this dissertation is that the direction of change varies across industry segments and is contingent on four conditions. Firstly, the nature of the Greek state and its ability to exercise ‘integrated leadership’. Secondly, the reaction by domestic actors to the perceived incompatibility between the EU measures and existing domestic or international policies. Thirdly, the capacity of shipowners for capital mobility in holding an option to exit the domestic political process. Fourthly, alongside the shipowners, the presence of influential formal or factual veto points in the domestic institutional arrangement.

2.3 Methodology

The purpose of the research is the analysis of political change, as observed in reformed processes and institutions and perceived by the actors involved, both individual and collective participants. As such, the research does not lend itself to quantitative analysis as we are not associating political change with differences in numeric variables and the distribution of data. Indeed, the quantitative approach would provide a response to the question of “How many of them are there?” (Landman 2003: 19, Patton 2002). More specifically, EU initiatives are noticed and interpreted by domestic actors who may act upon these in seeking to defend their vested interests and favourably shape political outcomes. The ensuing impact on the domestic political configuration cannot be captured by reference to aggregate data. Rather, the purpose and intentions of this research are better served by the application of a qualitative approach in identifying the formation of new institutions, the

reconfiguration of existing institutions and the associated perceptions of the respective actors. Moreover, this approach necessitates a concentration on a small number of countries or a number of sectors within a single country.

The qualitative approach comprises a number of methods, including participant observation, interviews and the so-called ‘thick description’ (Landman 2003). A similar classification is proposed by Patton (2002), distinguishing between observations, interviews and documents. Participant observation seeks to provide deep descriptions of social processes, including the behaviour, interaction and power dynamics between social actors as well as the context within which these processes unfold (Patton 2002). In the context of this dissertation this would entail the observation of the negotiations and lobbying taking place within a variety of venues, ranging from IMO fora, European Commission committees, YEN consultations to the UGS annual meetings and informal gatherings at non-institutionalized settings. Although this method would ensure insights into the political process and the power dynamics between actors, it was logistically unfeasible to gain access to these types of meetings. Certainly, these gatherings are by and large held behind closed doors, prohibiting the participation of external, third party observers.

Moreover, for the purposes of this dissertation, the methods of documentary analysis and interviewing are employed. These methods can be partly seen as substitutes for the insights and information that could have been gathered through participant observation. In analyzing the interrelations between the Greek state, ocean-going and coastal shipowners, island communities and the EU institutions, documentary data is gathered from open sources such as policy declarations, reports, press releases,

briefing notes, newsletters, speeches, interviews and public hearings. Content analysis figures prominently amongst the available tools for the interpretation of the identified documentation. This could involve a quantitative word-count approach in explaining the priorities and agenda of the respective authors. However, in line with the purpose of this dissertation a critical approach is adopted, taking into account the meaning and context of the documents under review. Hence, alongside issues of authenticity and credibility, the political context of documentary sources is recognized in taking into account “...who [writes] what, to whom, how and with what effects” (Pennings, Keman, Kleinnijenheis 2005, Jupp and Norris 1993: 40, Johnson and Shocket 1976: 205).

Documentary analysis is complemented by semi-structured ‘depth’ interviews with academics, commentators on shipping affairs and representatives of shipping companies, national, European and international shipowner associations, environmental groups, the Greek Ministry of Mercantile Marine, the Greek permanent representations to the IMO and the EU, European governmental bodies, the European Commission and the International Maritime Organisation. In the words of one social scientist, “...in order to understand other people’s constructions of reality, we would do well to ask them” and interviews provide this opportunity (Checkel 1999: 550, Punch 1998: 175, Richards 1996: 199). Semi-structured interviewing is selected due to its flexibility, cost-effectiveness and opportunity of offering otherwise inaccessible information on negotiations and the reasoning underlying decisions and public statements. In addition, this type of interviewing ensures a minimum of comparability across the interviewees’ responses whilst allowing for the latter’s perspective and perception of the political process to be probed. Accordingly, the interviewees are

selected on the criteria of representation, political significance and the feasibility of access.² However, a shortcome of this method is the inverse relation between ‘personal reactivity’ and validity, as the interviewee may engage in assumptions and speculation (Richards 1996). Nevertheless, the validity of interviewee comments are strengthened through triangulation with open sources and interviews with other parties. Another useful variant of the interviewing method are group or focus interviews that would allow for group norms and dynamics to be investigated. We would seek to simulate the negotiating process by bringing together representatives of the stakeholders in maritime transport policy-making. However, aside from weaknesses related to selectivity, representation and validity, there were insurmountable logistical obstacles in conducting this type of interviewing.

There is substantial secondary literature on the history, regulatory framework and market structure of international shipping. Information on world tonnage and the position of Greek shipping was compiled from Lloyd’s Register – Fairplay Annual Review, the UNCTAD Review of Maritime Transport, the OECD Maritime Transport report, the UGS and GSCC Annual Reports, the European Sea Ports Organisation Annual Statistics, the Bank of Greece Annual Report and research by the Hellenic Chamber of Shipping and the Ministry of Mercantile Marine. Shipping industry news were published in several Greek and international newspapers and periodicals including *Naftemporiki*, *To Vima*, *Eleftherotypia*, *Kathimerini*, *Naftiliaki*, *Naftika Chronika*, *Efoplistis*, *Elnavi*, *Lloyds List*, *Lloyds Shipping Economist*, *Fairplay*, *Shipping Intelligence Weekly*, *Shipping News International*, *Tradewinds*, *Tanker Operator* and the *International Bulk Journal*. Moreover, the Athens News Agency

² See list of interviewees as part of Bibliography.

and the Aegean News Agency were utilised as well as a number of local newspapers and periodicals, particularly in documenting the political mobilization of island communities in response to the liberalisation of the cabotage trades.

Therefore, a qualitative approach is adopted in interpreting the domestic impact of Europeanisation. Interviewing and documentary analysis are selected as the most appropriate methods in tracing the actual and perceived change to the political process in relation to Greek shipping. Indeed, a similar set of methods has been applied by a number of studies seeking to analyse the interactions between European integration and the domestic politics of EU member states (Fairbrass 2003, Bomberh and Peterson 2000, Checkel 1999). Moreover, the combination of these methods allows for the triangulation of the findings enhancing the validity and reliability of this research.

2.4 Europeanisation, business associability and domestic impact

In interpreting the expansion of EU competence, the concept of Europeanisation is employed which is defined as an interactive process involving the ‘top-down’ impact of EU policy-making on domestic politics and the ‘bottom up’ usage of EU resources by domestic actors in shaping the domestic and European political process. The expanding competence and growing complexity of the EU institutional configuration offers a multiplicity of access points for the representation of business interests. In analyzing the EU lobbying efforts of business interests, the direct, national association and European association routes are distinguished. In addition, with respect to the ‘top-down’ dynamics, there is a degree of agreement that European integration is

contributing to the reshaping of domestic state-business relations. Especially in the southern EU member states, it is claimed that the ties between the state and business are loosened, as the political interaction of domestic business interests with the EU institutions grew. Nonetheless, other authors take the view that the domestic impact of Europeanisation is fragmented and differentiated across different sectors.

Building on these insights, an analytical framework is put forward according to which the direction of change varies across industry segments and is contingent on four conditions. Firstly, the nature of the Greek state and its ability to exercise 'integrated leadership'. Secondly, domestic actors recognising and acting upon the incompatibility between the EU measures and existing domestic or international policies. Thirdly, the shipowners' capacity to exit the domestic configuration through capital mobility. Fourthly, in addition to the shipowners, the presence of influential formal or factual veto points in the domestic institutional arrangement. This chapter is followed by an analysis of the domestic state-business relations in Greece in understanding the political process that is being exposed to Europeanisation. In subsequent chapters the framework is applied to the case studies of ocean-going and coastal shipping in interpreting the impact on the Greek political process.

Chapter 3

Chapter 3: Europeanisation, the IMO and Organised Shipping

The nature of the shipping industry is international, operating in conditions of free competition and within a framework of international safety standards and self-regulation (Kumar and Hoffman 2002, Nordquist and Moore 1999, Zacher 1996, Yannopoulos 1989, Farthing 1987, Cafruny 1987, Mankabady 1986, Mankabady 1984). The international coordination of market initiatives and lobbying efforts entailed that shipping interests have a tradition of associability beyond the national level.

As opposed to industry sectors that are embedded at the national level, the EU sought to insert itself in a sector characterised by dense transnational activity. Commencing from the mid-1980s the EU expanded its presence in the regulation of the commercial and safety aspects of maritime transport. In parallel, the complexity of decision-making increased, culminating in the adoption of the co-decision procedure for maritime transport issues in the Treaty of Amsterdam. Certainly, in understanding the Europeanisation of the shipping industry, the analysis of the international regulatory framework is required.

The purpose of this chapter is to outline the context of international shipping policy-making and its implications for the analysis of institutional roles and domestic change. Maritime transport differs from other industry segments due to its international nature and existence of an elaborate regulatory and policy-making framework beyond national or regional boundaries. The chapter commences with an overview of the international maritime transport regulatory framework and the

International Maritime Organisation (IMO) which is central to this arrangement. The shortcomings of the IMO are analysed as these form the ‘policy window of opportunity’ for the expansion of the EU initiatives. This is followed by the examination of the influential position of the Greek ocean-going shipowners within the existing European and international industry associations. This provides the basis for the interpretation of the reasons underlying the Greek shipowners’ capacity to mobilize at the EU level

3.1 The IMO and International Maritime Regulation

Maritime transport was historically regulated at the international level, underpinned by the principle of self-regulation (Braithwaite and Drahos 2000, Zacher 1996, Yannopoulos 1989, Farthing 1987, Ram 1969). Aside from shipowners and cargo owners there was a plethora of actors involved in the form of classifications societies, underwriters and the flag and port states. Illustratively, underwriting insurance for a vessel was intertwined with the award of the Classification Certificate by a classification society. In turn, the classification societies were fundamental in the establishment and application of high technical standards in the design, construction and survey of vessels (Interview with Maritime Safety Advisor of the Hellenic Register of Shipping March 2006, Interview with Head of External Affairs of Lloyd’s Register March 2006).

There was long-standing agreement that international shipping should be governed by uniform international laws and regulations (Interview with Secretary-General of International Maritime Organisation March 2006, Interview with Chairman of Lloyd’s

Register March 2006, Interview with Director-General of Danish Maritime Authority April 2006, Interview with Chairman of Lloyd's Register March 2006). Regulatory variance across states would generate a host of practical difficulties for the operation of shipping. In tandem, the ownership and operation of the industry was multinational, a phenomenon that was heightened with the expansion of open registries (Kumar and Hoffman 2002, Brooks 2000, Yannopoulos 1989, Strange 1976, Lorentzen 1972). Following the Second World War, this consensus was reiterated in the discussion on the formation of an international governmental organisation that would be dedicated to maritime transport. However, although there was general agreement on the necessity of international safety standards, contrasting visions were articulated regarding the commercial aspects of shipping. Under the leadership of the United Kingdom, traditional maritime states including Norway, Denmark, Sweden, Holland and Greece were in favour of an international institutional arrangement to facilitate coordination on safety standards, technical issues and the working conditions of seafarers. Concurrently, these states were categorically opposed to any form of governmental interference in the commercial aspects of shipping. In converse, non-traditional maritime countries that sought to establish national merchant fleets supported governmental intervention through protectionist measures and flag discrimination (Okere 1981, Silverstein 1978). As a result, in founding the Intergovernmental Maritime Consultative Organisation (IMCO) as a specialised UN agency in 1958, the mandate of the new organisation was devoted to the adoption of the highest practicable standards affecting maritime safety and pollution prevention to the exclusion of issues of a commercial nature (Nordquist and Moore 1999, Mankabady 1986, Mankabady 1984). The IMCO was granted with consultative and advisory functions, in issuing recommendations, convening conferences and

contributing to the formulation of conventions which were subsequently recommended to governments for approval (Campe 2005, Juda 1977, Simmonds 1963). According to the IMCO Convention, the objectives of the organisation were to “...provide machinery for co-operation among governments in the field of governmental regulation and practices relating to technical matters ... and to encourage the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and prevention and control of marine pollution from ships” (Article 1 IMCO Convention).

Despite the limited powers of the IMCO, the traditional maritime states and shipowners were apprehensive of the new organisation. Although the IMCO Convention was drafted in 1948, it was only in 1958 that the required number of ratifications was received. The Greek government initially ratified the IMCO Convention in 1950, yet in 1956 decided to withdraw the instrument of ratification. Nonetheless, by 1958 the Greek government had reinstated its ratification with a clause stipulating that if the “...Organisation extends its activities to matters of commercial and economic nature, the Greek government may find itself bound to reconsider its acceptance” (Padwa 1960: 524). There was concern amongst shipowners that gradually the IMCO would become involved in the commercial regulation of shipping, becoming a proxy for governmental intervention (Juda 1977). The unease of the shipowners was heightened by the ambiguous wording of the IMCO Convention stating that “...assistance and encouragement given by a Government for the development of its national shipping and for purposes of security does not in itself constitute discrimination, provided...that the measures were not designed to restrict of the freedom of shipping of all flags to take part in international

trade” (Article 1 IMCO Convention). Nevertheless, in the ensuing four decades the IMO (renamed in 1982) remained a technical organisation involved in the promotion of international safety standards and the prevention of marine pollution. The primary function of the IMO was to serve as a facilitator of negotiations amongst the member states with the IMO Secretariat staff interpreting their role as mediators and ‘brokers’ (Campe 2005). At the same time, the IMO seldom put forward recommendations for negotiation, with the member states setting the agenda instead. Approximately forty conventions and protocols were adopted and notably the Convention on the Safety of Life at Sea 1974 (SOLAS 74), the International Convention for the Prevention of Pollution from Ships 1973 (MARPOL 73), the Protocol of 1978 (MARPOL 78), and the Convention on Standards of Training Certification and Watchkeeping 1978 (STCW 78).

With respect to the political structure of IMO, the Council was the executive organ consisting of forty members, representing the ten largest shipping member states, the ten largest seaborne trading states and twenty member states that maintained a maritime interest and represented the major regions of the world (Article 17 IMO Convention). Since the inception of the organisation, Greece was a member of the Executive Council. Fee contributions by the member states corresponded to the tonnage of their merchant fleets. Unlike other UN agencies a large proportion of the IMO budget was paid by Panama, Liberia and the Bahamas that maintained open registries.

Table 1: Fee Contribution IMO Budget

Member State	Fee Contribution (\$)	% of Budget
Panama	4,141,951	18.47
Liberia	1,730,648	7.72
Bahamas	1,128,559	5.03
United Kingdom	1,040,068	4.64
Greece	973,151	4.34
Singapore	900,531	4.02
Japan	842,596	3.76
Marshall Islands	802,983	3.58
USA	771,737	3.44
China	749,093	3.34

Source: IMO 2006

Nonetheless, the size of fee contribution was not directly correlated with the influence member states exerted within the IMO. In shaping IMO regulations the most influential member states were those with the greatest technical expertise and consistent participation in the workings of the organisation (Interview with IMO Head of Policy and Planning Unit March 2006, Interview with IMO Senior Deputy Director Maritime Safety Divisions March 2006). These were the member states that chaired or prepared drafts for the committees and contributed disproportionately to the preparation of regulations before negotiations at the IMO Council. According to a study of the first two decades of the IMCO the technical expertise of the United Kingdom placed it at an advantage to the other member states. It was estimated that a sixth of the Secretariat were of British nationality whilst the United Kingdom scored the highest in the most person-months of technical assistance and on an acceptance index of IMO conventions (Silverstein 1978). Although the United Kingdom maintained its influence, Greece, the US, Japan, Germany, Russia and China also engaged actively in IMO negotiations (Interview with Senior Deputy Director of IMO Maritime Safety Division March 2006). Alongside its position in the IMO Council, Greece possessed substantial technical expertise and actively attended sub-committee

and committee meetings. The technical competence of the Greek permanent delegation was underpinned by the existence of YEN that specialised in maritime transport issues and the Hellenic Chamber of Shipping that integrated the expertise and knowledge of the Greek shipping industry (Interview with Deputy Maritime Transport Attaché of Greece to IMO, April 2006). In conjunction, the Greek shipowners buttressed the resources of the permanent delegation through the provision of technical knowledge and experience. However, commencing from the early 1990s it was maintained that there was a growing politicisation of the IMO policy-making process (Interview with Secretary of International Chamber of Shipping February 2006, Interview with Member of Greek Shipping Cooperation Committee Council March 2006, Interview with International Affairs Liaison of Baltic and International Maritime Council March 2006). This was partly attributed to the attempts of the European Commission to coordinate the positions of the EU member states within the IMO. It was argued that this reduced the scope for experts from the EU member states to discuss the details of rules on their technical merits (Westfal-Larsen 2005). Indicatively, in June 2005 the European Commission blocked the submission of proposals by the United Kingdom and Denmark to IMO Committees. European Commission officials objected to the advancement of proposals by EU member states before prior consultation and arrival at a uniform position (*Lloyd's List* June 05, 2005). Furthermore, there were concerns that the European Commission initiatives would instigate the formation of counter-blocks within the IMO, jeopardising the quality of decision-making. In response, the European Commission emphasised that the EU strengthen implementation and enforcement of international standards through a democratic process involving the Council, European Parliament and the European Social and Economic Committee

(Interview with Head of Maritime Transport Policy & Maritime Safety European Commission April 2006).

However, over the years the weaknesses of the IMO process for the negotiation and adoption of international safety standards became increasingly palpable. Firstly, the slow pace of the policy-making process entailed that the IMO could respond swiftly neither to technological advancement nor requests by the member states and the general public. For the adoption of amendments to existing Conventions a majority rule, commonly two-thirds of the member states was required. Partly addressing this shortcoming the principle of ‘tacit acceptance’ was incorporated in technical conventions, whereby amendments entered into force by a specified date, unless objections were received from a certain proportion of the contracting parties (Braithwaite and Drahos 2000, Cox 1998, Juda 1977).

Table 2: Timetable for adoption of IMO regulations

Actions Required	Time Needed
Sub-Committee work	2-3 years
Approve by Committees and circulation	9-12 months
Adoption and entry into force	18 months
Total time needed	4.5-5.5 years

Source: Sasamura 1998

Secondly, as the IMO sought the consensus of member states in adopting legislation, there was a tendency for minimum standard outcomes. The IMO contended that consensus was indispensable as small majority outcomes entailed the danger of disaffected member states seeking alternative regional or national solutions. Nevertheless, there were examples, exemplified by the adoption of the Oil Pollution

Act 1990 by the US administration when member states proceeded with stringent measures that would not have been attainable through the IMO process. Thirdly, it was argued that the IMO did not have a formal sanctions mechanism and was unable to ensure the consistent implementation and uniform enforcement of international legislation. IMO standards were not applied consistently across national jurisdictions, generating discrepancies with sub-standard shipowners taking advantage. In the words of a former IMO Secretary General,

“Over the past decades the IMO has adopted several shelves full of rules and regulations...However, regulations are only effective if they are put in practice and are enforced and there is no doubt that many IMO conventions and other standards are not implemented as vigorously as they should be” (O’Neil 1998).

The responsibility for ensuring that ships were built, equipped and operated in compliance with IMO standards, lies with the flag state. However, with the expansion of flagging-out, certain open registry member states did not have the technical expertise and human resources to effectively implement IMO requirements. In improving implementation the IMO adopted measures to monitor the performance of flag states. More importantly, an additional mechanism for safeguarding international safety standards was sought through port state control. Under port state control regimes, a proportion of ships calling at a port were inspected to ensure compliance with international safety, pollution and manning standards (Haralambides 1998, Yannopoulos 1989).

In sum, maritime transport regulation was historically negotiated and adopted at the international level. The IMO became central to this process as the institutional venue for the discussion of new rules and standards. Over the years Greece figured prominently in the IMO policy-making process as a member of the IMO Council and due to the expertise and knowledge of YEN and the technical support from Greek shipowners. In addition, Greece actively participated in the sub-committee and committee meetings that precede the adoption of IMO regulations. Nevertheless, the effectiveness of the IMO in promoting maritime safety and preventing environmental pollution was impaired by inconsistent implementation and a weak enforcement mechanism, slow decision-making process and the adoption of minimum standards. Combined with the political pressures and media exposure accompanying maritime accidents, these weaknesses provided ‘windows of opportunity’ for the European Commission to increase the regulatory presence of the EU in maritime transport.

3.2 The evolution of the EU Common Maritime Transport Policy (CMTP)

Maritime transport represented more than ninety percent of the external trade and approximately forty-one percent of internal trade of the EU. In tandem, it was estimated that approximately forty percent of world fleet was controlled by EU shipping interests (ECSA 2005). Nonetheless, in the first two decades of the European Community (EC), maritime transport was not featured in the common transport policy. Bolstered by the accession of traditional maritime states such as the United Kingdom, Denmark and Greece, the European Commission became increasingly involved in the regulation of maritime transport. This culminated in the 1986 and 1989 packages of measures, forming the foundation of the Common Maritime Transport Policy. Subsequently, the involvement of the EU in maritime transport regulation advanced rapidly, especially in the areas of maritime safety and the prevention of marine pollution.

The Treaty of Rome made one reference to maritime transport in stating that,

“The provisions of the Title shall apply to transport by rail, road and inland waterway. The Council may, acting unanimously, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport” (Article 84, Title IV Treaty of Rome).

In distinguishing sea transport from rail, road and inland waterways, the founding members acknowledged the international nature of shipping. It was maintained that the differentiation of sea transport was attributed to the Netherlands that was seeking

to safeguard the international character of shipping by precluding regulatory intervention by the newly founded regional organisation (Roe and Selkou 2004: 63). In tandem, there were concerns with respect to the impact of maritime transport policies on EC trading partners (Aspinwall 1995: 89). Indeed, these characteristics were affirmed by the European Commission,

“...sea and air transport have their own distinctive features and are (to a much greater extent than inland types of transport) closely connected and dependent on the world economy. It is in the Community’s own interest to take this into account and not to call into question the competitive position of sea and air transport outside the sphere of the Treaty of Rome (European Commission Memorandum 1961).

Hence, for over two decades there was an absence of maritime transport measures at the EC level (Selkou and Roe 2004, Paixao and Marlow 2001, Erdmenger 1983, Rizzi 1978). In 1973, the European Court of Justice issued its judgement on the ‘French Seamen’s case’ confirming the application of Article 48 on the free movement of labour to seafarers. The ECJ concluded that the general rules of the Treaty held sway for maritime transport (ECJ Case 167/73). Hence, provisions for the free movement of goods, persons, services and capital, the right to establishment and competition were applicable to maritime transport (Bredima-Savopoulou and Tzoannos 1990: 74 – 6). This was reinforced in 1985 with another ECJ ruling stating that the Council was in breach of obligations arising from the Treaty of Rome by not formulating a common transport policy, including maritime transport (ECJ Case 355/87). Nonetheless, there was broad agreement that issues of maritime transport, particularly in relation to

maritime safety and the prevention of marine pollution should be negotiated and endorsed at the international level.

From the early 1970s until the mid-1980s an embryonic maritime transport policy began to take shape at the EC level. The measures adopted during this period were concentrated on the external relations of the EC (Erdmenger 1983, Bredima and Tzoannos 1981: 98). Several developments underpinned the expansion of EC competence in maritime transport, including the introduction of the UNCTAD Liner Code in 1974, competition from COMECON countries that maintained protectionist policies and high-profile maritime accidents (Aspinwall 1995: 91). Firstly, in 1977 a consultation procedure was established for the coordination of the positions of the member states in international maritime fora. Secondly, with the purpose of addressing the competition from the COMECON countries, procedures were established for the collection and dissemination of information on the activities of non-EC liner shipping companies. Thirdly, in response to a number of high profile maritime accidents in the late 1970s, at the Copenhagen Council meeting in April 1978 measures regarding maritime transport were endorsed. The Council urged for the prompt implementation of existing international legislation, the improvement of coordination between member states and the endorsement of common positions at international venues. In conjunction, the European Commission was called upon to come forward with proposals to control and reduce pollution from oil spills. Despite this recognition and the articulation of an ambitious package of proposals, the European Commission initiatives materialised into a handful of formal declarations and resolutions, encouraging the EC member states to ratify the IMO conventions (Bredima-Savopoulou and Tzoannos 1990, Tzoannos 1989: 46). Specifically, In June

1978 Resolution 162/78 was adopted establishing an action programme on the control and reduction of pollution from ship-source discharges whilst in December 1978 Directive 115/79 was adopted stipulating compulsory pilotage of vessels by deep-sea pilots in sensitive maritime areas such as the North Sea and the English Channel. In addition, in 1980 the European Commission proposed a Directive to improve the enforcement of international safety standards through port state control. Greece was singled out as an IMO member state with a poor enforcement record. Explicitly, it was stated that the “...list of infringements of IMCO standards per country demonstrates the need for the Commission and the Council of Ministers to make sure that [Greece] is really willing to submit to Community rules in this important area” (Aspinwall 1995: 95). However, the EC member states were unable to reach an agreement neither on the details of the measures nor on the principle of EC involvement in maritime transport safety. The consensus amongst the EC members was that maritime safety should be regulated at the international level (Stevens 2004: 125 – 6, Kiriazidis 1994, Erdmenger 1983). Rather, the member states plus Norway circumvented the EC in forming a voluntarily agreement that took the form of the Paris Memorandum of Understanding on Port State Control in 1982. Amongst other measures, the Paris MOU set forth an inspection target of twenty-five percent of vessels calling at the ports of the contractual parties, involving the detention of vessels if deficiencies were discovered.

Moreover, the development of the EC maritime transport policy was attributed to the successive waves of enlargement, involving the accession of traditional maritime transport countries. The accession of the UK and Denmark in January 1973 and Greece in January 1981 raised the salience of maritime transport in the EC. The

admittance of Greece increased the capacity of the Community fleet by sixty per cent, raising it to 25.2 per cent of world capacity in 1981 (Bredima and Tzoannos 1981: 95, Pantelidis 1979, Rizzi 1978, Tsoukalis 1978). In tandem, the structure of the Community fleet was reshaped, as existing member states concentrated on the maritime transport of industrial products, whereas the Greek fleet was geared towards wet and dry bulk commodities such as oil and iron ore. The enlarged membership of the EC provided the impetus for the adoption of concrete maritime transport measures. In March 1985, the European Commission issued a Communication on the “Progress towards a Common Transport Policy” (CEC Com 85/90). It was argued that the competitiveness of the EC fleet was hampered by the expansion of open registries and the endorsement of protectionist measures by third countries. More specifically, the member states were confronted with a proliferation of protectionist measures as Japan, the Newly Industrialised Countries and the COMECON countries expanded their national fleets. To enhance their competitiveness, EC shipowners sought to reduce operational costs by turning to open registries, also known as ‘Flags Of Convenience’. These were national flags that were open to vessels owned by non-citizens who sought to minimise costs by avoiding manning and taxation restrictions (Metaxas 1985, Metaxas 1981). Illustratively, after reaching a peak of 42 million dwt in 1981, the Greek-registered fleet declined to 22.8 million dwt in 1991. The majority of the tonnage withdrawn from the Greek registry was transferred to open registries, especially the flag of Cyprus. Indeed, over the same period, Greek owned tonnage in open registries grew from 23 million dwt in 1981 to 45 million dwt in 1987 (Aspinwall 1995). Subsequently, following from the Commission proposals, the Council adopted a package of maritime transport measures in 1986. Resting on open market principles, the measures sought to counter unfair competition, enhancing the

competitiveness of the EC fleet and furthering employment. It was decided that all intra-European maritime transport trades with the exception of cabotage should open to competition with establishment in the EC as the sole requirement in order to provide maritime transport services across the EC.³ The negotiations for the package were conducted between the Western European member states and Greece, with the United Kingdom mediating between the two sides (Aspinwall 1995, Bredima-Savopoulou and Tzoannos 1990). The principle underlying the position of Greece with respect to maritime transport was the promotion of free and fair competition and the prevention of protectionist measures and governmental intervention (Interview with Greek Maritime Transport Attaché to EU March 2006). In the words of the YEN Minister "...Greece shall always be among those countries striving for the consolidation of free and fair competition for shipping...we should fight against any trend of new protectionist measures and practices, wherever these may appear" (Soumakis 1996). The sole exception to the Greek approach was domestic coastal transport operating under a cabotage regime and reserving transportation to vessels flying the Greek flag. This became an intractable negotiating point until it was resolved with the adoption of Council Regulation 3577 in December 1992 applying the principle of freedom to provide services to maritime transport within member state.⁴

The continued decline of EC fleet tonnage instigated an additional set of proposals by the European Commission in 1989 on "A future for the Community shipping industry:

³ The package comprised of Council Regulation 4055/86 applying the principle of freedom to provide maritime transport between member states and between member states and third countries, Council Regulation 4056/86 laying down the rules for the application of competition rules to maritime transport and Council Regulations 4057/86 and 4058/86 on unfair pricing and restrictions by third countries to the free access to ocean trades.

⁴ This is discussed in more detailed in Chapter on the opening of the cabotage trades.

measures to improve the operating conditions of Community shipping” (CEC Com 266/89). It was maintained that the high fiscal and labour costs associated to EC flags underpinned the decisions of shipowners to transfer their vessels to open registries. In both enhancing the competitiveness of EC shipping and safeguarding employment, the European Commission proposed the formation of the Euros Register. This was designed as a parallel register for the all the vessels on EC member state registries with the purpose of counterbalancing the benefits accruing from open registries. According to an amended 1991 proposal, shipowners with vessels registered under Euros and meeting a mandatory minimum of EC seafarers would be eligible for the reimbursement of the seafarer’s income tax. In spite of a variety of amendments introduced by the European Commission an agreement was not reached on the Euros Register (Selkou and Roe 2004, Pallis 2002, Erdmenger 1983).⁵ Greece was opposed to the formation of a single EC register claiming that the link between improving the competitiveness of EC shipping and the European Commission measures was weak. Particularly the issue of mandatory crewing requirements became an insurmountable obstacle leading to the abandonment of the proposals (Aspinwall 1995). Nevertheless, Denmark, France, Spain and Portugal proceeded with the formation of second registries enabling ships flying their flags to avoid fiscal and labour costs arising from their first registries.⁶ Rather than creating a second registry in Greece, the Greek shipowners opted for open registers, notably Panama, Malta, Cyprus, the Bahamas, Liberia and the Marshall islands (Lloyd’s Register – Fairplay March 2006). In addition to proposals for the formation of the Euros Registry, the European

⁵ CEC Amended Proposal for a Council Regulation establishing a Community ship register and providing for the flying of the Community flag by sea-going vessels (Com 54/91), CEC Amended Proposal for a Council Regulation establishing a Community ship register and providing for the flying of the Community flag by sea-going vessels (Com 483/91).

⁶ Denmark formed the DIS, France through the Kerguelen Register, Portugal with MAR and Spain with the Canary Island Register.

Commission issued guidelines for evaluation of state aid to the maritime transport sector (CEC Sec 921/989).⁷ Accordingly the European Commission decided the authorisation of state aid to vessels operating under EC member flags, to modernise vessels and to maintain the employment of EC seafarers (Interview with former Managing Director of European Maritime Cooperation Agency March 2006).

In late 1992 and early 1993 the grounding of oil tankers in the EU waters instigated renewed discussion on maritime safety and the prevention of marine pollution at the EU level. Concurrently, the Treaty of the European Union established a legal basis for the adoption of EU measures with respect to transport security. Article 71 of the Treaty stipulated that the EU could provide for "...measures to improve transport safety". The European Commission proceeded by issuing the Communication on "A common policy on Safe Seas" (CEC Com 66/93). Resting on a thorough analysis of vessel losses and flag states' performances, the European Commission drew attention to the primary causes of casualties. These were attributed on the one hand to the poor performance of shipping operators and their flag states and on the other hand, human error. Underpinning these causes was not the inadequacy of existing international rules. Rather, the European Commission highlighted the incomplete implementation and the insufficient enforcement of the international standards (CEC Com 66/93: 10 - 11). In addressing these weaknesses the European Commission proposed an action programme resting on four pillars. These encompassed the convergent implementation of existing international standards, uniform enforcement of international rules by port states, development of traffic surveillance infrastructure and the strengthening of the role of EU in international maritime safety rule-making.

⁷ CEC *Financial and Fiscal Measures concerning shipping operations with Ships registered in the Community* (Sec 921/89).

In particular the European Commission emphasised the importance of port state control in ensuring that flag states comply with international standards. In the following years, resting on the European Commission proposals several measures were endorsed implementing international standards. The primary objective of these initiatives was to prevent shipping companies from lowering safety standards in obtaining an advantage over competitors.⁸ Although there may have been differences on the details of the measures, Greece remained in agreement with the principles underlying EU legislation on maritime transport. By acknowledging the primacy of the international level, the EU concentrated on strengthening the implementation and enforcement of international standards by the member states.

Nevertheless, the number of vessels flying the EU flag fell, eroding the competitiveness of EU shipping. Although EU ownership in shipping remained substantial accounting for a third of world tonnage, over half was transferred to open registries (Papaioannou 1996). In response, the European Commission introduced a new set of proposals in March 1996 with its Communication "Towards a new maritime strategy" (CEC Com 81/96). It was recognised that the cost differentials arising from manning and taxes placed EU shipping at a competitive disadvantage, rendering inevitable the decision of re-flagging to open registries. It was estimated that the proportion of world tonnage under EU member state flags declined from thirty-two percent in 1970 to fourteen percent in 1995. In addition, flagging-out had ramifications for maritime safety by reducing the flag state control power of EU member states. The use of EU flags entailed that the safety standards of vessels could be closely monitored by the EU member states (CEC Com 81/96). In implementing

⁸ Directive on Classification Societies 57/94, Directive on Port State Control (21/95), Directive on Notification obligations (75/93), Regulation on Segregated Ballast Tanks (2978/94), Regulation ISM Code (3051/95).

the maritime strategy, the European Commission proposed a series of measures encompassing maritime safety, the protection of open markets and the promotion of the competitiveness of EU shipping. Regarding safety the European Commission emphasised the convergent application of internationally agreed standards. In ensuring this across all flags, it was proposed that the non-binding resolution of the IMO were converted to compulsory EU legislation. In conjunction, the strengthening of port state control and flag state control were underscored as well as a legislative measure with the intention of improving the quality of EU registries (Interview with Head of Maritime Transport Policy and Maritime Safety of European Commission April 2006, Official of Unit Aerospace, Defence and Maritime Industries of European Commission March 2006). However, the principles underlying the maritime strategy on safety were questioned by the IMO. It was countered that the only appropriate venue for the conversion of IMO recommendatory standards to compulsory legislation was the IMO (Mitropoulos 1996). It was argued that such EU initiatives could lead to the formation of tiers of regulation across different regions of the world, undermining the smooth operation of shipping. Greece concurred with the IMO approach, welcoming measures for the enhancement of safety at sea that were within the international framework, as defined by the IMO but objecting to any form of regional measures (Soumakis 1996, Manos 1996, Interview with Director of Hellenic Chamber of Shipping May 2006, Interview with member of Greek Shipping Cooperation Committee Council March 2006).

Recapitulating, by contrast to the mandate of the IMO that concentrated on issues of maritime safety and the prevention of marine pollution, the Common Maritime Transport Policy encompassed measures concerning the competitiveness of EU

shipping as well as maritime safety. In combining the commercial and safety aspects of maritime transport, it was maintained that open competition and the prevention of substandard shipping would enhance the competitive position of EU flagged shipping. With respect to the opening of the EU maritime transport trades, Greece adopted an inconsistent approach that reflected the free trade principles of its ocean-going sector and the protectionist approach of the coastal shipping sector. In parallel, in spite of differences regarding the content of measures, Greece was in agreement with the principles underpinning the EU maritime safety measures. It was accepted that the IMO was the appropriate level for the adoption of rules with the EU promoting consistent implementation and uniform enforcement of the international rules. However, the 1996 maritime strategy included proposals that departed from the status quo, challenging the exclusivity of the IMO as the organisation competent for safety of navigation and marine environment protections issues.

3.3 EU politics, organised shipping and the Greek shipowners

Alongside national associations, shipping interests have a long history of associability beyond the national level, stemming from the international nature of the industry. Only a handful remained active since their inception in the early twentieth century, whilst most of the associations founded were either merged or subsumed into larger entities. In most instances the original objectives of the associations were revised and in only a few cases the initial purpose involved political lobbying and influencing legislation (Interview with Secretary of International Chamber of Shipping February 2006, Interview with International Affairs Liaison of Baltic and International Maritime Council March 2006). It was argued that these entities blurred the dividing lines between international organisations with a legislative mandate and industry associations promoting the interests of their members (Strange 1976). This was exemplified by the International Association of Independent Tanker Owners (Intertanko) that was at first engaged in the Schierwater Scheme that shaped the supply of tanker tonnage by laying-up surplus tankers. Benefiting from the higher freight returns, the tankers remaining in trade would contribute ten percent of their freight income to the owners of the vessels placed in lay-up. Although similar schemes were initiated in the subsequent decades, notably the International Tanker Recovery Scheme in 1962, the distinction between international regulatory organisations and industry associations was only crystallised with the establishment of the IMO. The industry associations gained consultative status at the new international organisation while the right to vote was reserved to the member states. Likewise, as EU competence grew in the regulation of maritime transport, there was growing

evidence of engagement and lobbying by industry associations at the European level. In analysing the involvement of industry associations in EU policy-making and the role of the Greek shipowners, attention was drawn to five organisations, the European Community Shipowners' Association (ECSA), the International Chamber of Shipping, Intertanko, the International Association of Dry Cargo Owners (Intercargo) and the Baltic and International Maritime Council (BIMCO). Moreover, there was a plethora of shipping organisations that were engaging with the EU institutions, notably the European Liner Affairs Association (ELAA), the European Sea Ports Organisation (ESPO), the European Tugowners Associations (ETA) and the Alliance of Maritime Regional Interests in Europe (AMRIE). Nonetheless, with respect to Greek shipowners and in the context of the case studies examined in the dissertation, this section concentrated on an analysis of the five major shipowners' industry associations.

The International Chamber of Shipping (ICS) was the international trade association for merchant shipowners. ICS membership comprised forty-four national shipowner associations representing over half of the world's merchant fleet across all industry segments including dry bulk, tanker, liner and passenger shipping. The ICS was organised in specialist committees that consisted of representatives from the national shipowner associations. The committees were responsible for the formulation international shipping policy and agreeing on positions to be adopted in international fora and especially the IMO (Interview with Secretary of International Chamber of Shipping February 2006). Due to its composition, the ICS sought to reach a consensus amongst shipowners from different countries and across different sectors. The ICS maintained a consultative status at the IMO which allowed its representatives to observe deliberations and express the opinion of the shipowners. According to the ICS, maritime safety and marine pollution preventions standards should be adopted at

the international level and it was opposed to any form of national or regional measures that could cause commercial distortions (ICS Statement of Purpose 2006, Interview with Secretary of International Chamber of Shipping February 2006). It was maintained that the ICS was particularly influential in promoting the interests of shipowners at the international level (Strange 1976). In tandem, within the ICS there was an asymmetry of influence as shipowner associations from traditional maritime countries especially the UGS were more influential in shaping policies and common positions. Alongside different fee contributions, the national associations that actively attended internal meetings, provided technical knowledge and voiced their positions on issues of interest were the most influential.

At the European level a variety of organisations were established to represent the interests of shipowners. In the early post-war years it was acknowledged that shipowners were poorly represented at the European level (Farthing 1987, Erdmenger 1983). In response to the adoption of protectionist measures in the form of cargo preference regimes, the European shipowners formed the Committee of European Shipowners (CES) and the Committee of European National Shipowners' Associations (CENSA) in the late 1950s. The Greek shipowners were prominent members of both associations (Ronit 1995: 185 – 6). In 1974 these two organisations merged together with the Japanese Association of Shipowners to form the Council of European and Japanese National Shipowners' Associations (CENSA) originally as an ad hoc arrangement. Alongside the Japanese shipowners CENSA was composed by thirteen European shipowner associations, including the UGS. CENSA sought the promotion of free and fair international trading conditions through a multilateral approach rather than regional or unilateral measures (Farthing 1987). Over the years

CENSA concentrated on the commercial aspects of international shipping, becoming involved in maritime trade discussions within the OECD, representing shipowners in the negotiations on the General Agreement on Trade in Services (GATS) and lobbying the US Congress on liner shipping issues through a Washington representative. However, due to the overlap with the activities pursued by the ICS, there was a gradual convergence between the two organisations (*Lloyd's List* August 14, 1996). Eventually, in January 2002 CENSA was subsumed into the Shipping Policy Committee of the ICS (*Fairplay* January 10, 2002).

As the European Community (EC) possessed limited competence in the regulation of maritime transport, there was an absence of engagement by the CES and CENSA. Exchanges with the EC remained marginal and were delegated instead to the Comité des Associations d'Armateurs des Communautés Européennes (CAACE) which was established in 1965. It was initially described as a 'letterhead' association as it represented a fraction of European shipowners and was endowed with limited resources. In December 1973 the CAACE put forward its first proposals to the European Commission calling for the incorporation of shipping clauses in the EC's trade agreements (Erdmenger 1983: 83). However, underpinned by successive waves of enlargement and the expansion of EC competence in maritime transport, the CAACE became the foremost representative of shipowner interests at the EC level. In June 1990 the association was reorganised and renamed as the European Community Shipowners' Associations (ECSA). ECSA maintained a permanent secretariat in Brussels, disseminating information and promoting the industry's positions through a number of specialised committees. In representing the interests of shipowners at the European level, the ICS worked closely with ECSA (Interview with Executive

Advisor to the European Community Shipowners' Association March 2006). Indeed, the membership of ECSA comprised the national shipowner associations of the EU member states and Norway and these associations were concurrently members of the ICS. Nevertheless, alongside their ECSA membership, certain national shipowner associations sought direct representation at the EU level. In monitoring developments at the EU level and establishing direct contact, the Danish Shipowners Association and the Swedish Shipowners Association maintained permanent physical presence in Brussels (Interview with Head of Brussels Representation of Swedish Shipowners' Association April 2006, Interview with Director of Danish Shipowners' Association March 2006, Interview with Head of International and Defence Policy of the Chamber of Shipping March 2006). However, the UGS had not established permanent representation in Brussels, relying on ECSA to represent its interests within the EU institutions. Over the years, it was acknowledged that the UGS was influential in shaping the policies and positions of ECSA (Aspinwall 1995: 37, Ronit 1995: 188). As in the case of the ICS, this was attributed to the active participation of the UGS in the internal ECSA committees and the provision of technical knowledge and research. At the same time, the GSCC was a member neither of the ICS nor of the ECSA and had not sought permanent representation at the EU level. Rather, its close cooperation with the UGS ensured access to the resources and networks of ECSA, whilst on issues of importance the GSCC mobilized directly in contacting European Commission officials and MEPs. In addition, it could be argued that the position of the Greek shipowners was strengthened with the admittance of the Cyprus Shipping Council and the Malta International Shipping Council to ESCA in parallel to the accession of Cyprus and Malta to the EU. The open registries of Cyprus and Malta encompassed a sizeable share of Greek owned vessels (Interview with Secretary-General of Cyprus

Shipping Council April 2006). In turn, the Greek shipowners exerted influence within the respective industry associations of Cyprus and Malta. In seeking to influence EU policy-making the ESCA was engaged in a variety of activities. Notably in February 2003 ECSA in collaboration with the Greek EU Presidency organised an exhibition in Brussels to promote the image of the shipping industry. However, ECSA was criticised at times for being 'too close to the European Commission' in seeking to mediate between the shipowners and the EU institutions rather than effectively representing the positions of its members (Interview with Shipowner March 2006). In tandem, as the ECSA positions rested on compromises between the diverse interests of the EU shipowners, national positions could be diluted.

Alongside national shipowner associations, independent tanker and dry bulk owners were represented by Intertanko and Intergarco respectively. Historically these organisations were engaged in the representation of their members' interests at the international level, particularly at the IMO and the US Coast Guard. As the EU expanded its competence in maritime transport regulation, particularly Intertanko committed increasing resources in monitoring regulatory output and seeking to influence legislation at the EU level (Djonne April 2005, Djonne January 2004, Swift March 2004). The dry bulk industry was historically fragmented into numerous operators with small fleets (Nomikos and Alizadeh 2002). In fostering a collective voice for this sector, the Greek shipowner Anthony J. Chandris promoted the formation of a forum for dry bulk owners in the late 1970s. This initiative led to the founding of Intercargo in 1980 with the purpose of facilitating dialogue between dry bulk shipowners and promoting their interests in international fora. Over the years the association grew to 63 owner members with Greek shipowners representing

approximately fifty percent of membership (Intercargo Annual Review 2004 – 05). Over the first decade of its existence Intercargo represented dry bulk owners at UNCTAD and concentrated on the commercial aspects of shipping (Interview with Manager of Intercargo March 2006). Since gaining consultative status at the IMO in 1993, Intercargo became increasingly involved in issues of maritime safety and the regulation of the dry bulk sector. Commencing from September 2003 Intercargo shares a joint secretariat with Intertanko and draws from the resources of the latter in lobbying at the EU level (Interview with Manager of Intercargo March 2006).

Against the background of adverse economic conditions, the International Tanker Owner's Association was founded in 1934. The objective of the association was to facilitate cooperation amongst tanker owners in adjusting to market conditions. According to one of its founding members, the purpose of the initiative was “to establish a medium for tanker owners to exchange information and opinions and to deal with the oversupply of tanker tonnage which depressed the market at the time” (Intertanko January 2001). In 1970 the organisation was reorganised as the International Association of Independent Tanker Owners (Intertanko), circumscribing its membership solely to independent tanker owners. Over this period, membership rose to 160 million dwt corresponding to seventy-five percent of eligible membership in the tanker industry. In conjunction, in the early 1970s Greek independent tanker owners overtook in terms of tonnage their Norwegian counterparts within Intertanko. There were forty-four Greek member companies which rose to sixty-one in 2005 accounting for twenty-four percent of Intertanko total membership (Intertanko Annual Report 2004-05). The sizeable presence of Greek tanker shipowners underpinned the formation of the Hellenic Forum and Committee within Intertanko. Bringing together

all the major Greek independent operators in the tanker sector, the Hellenic Forum was intended to discuss and promote the positions and strategies of Intertanko with respect to free competition, maritime safety and marine pollution prevention. Indeed, over the past three decades the association gradually departed from direct market involvement and became increasingly involved in representing the interests of its members firstly at the IMO and the US Coast Guard and subsequently at the EU. Intertanko maintained an effective network in the EU from the beginning of the 1990s. The first formal visit of an Intertanko Chairman to the European Commission was traced to 1993, whilst in 1998 Intertanko organised a Brussels tanker event to raise the profile of the industry in the EU institutions (Djonne April 2006). The EU strategies of Intertanko involved lobbying the Council member states through the tanker operators of the respective countries, working closely with allies in the European Commission and European Parliament and liaising with non-EU member states such as the US, Japan and Norway (Djonne January 2004). Particularly in the aftermath of maritime accidents, 'damage limitation' procedures were developed in proactively addressing the causes of the accident and highlighting the improving maritime safety record of the tanker industry. In January 2004 following a period of intense lobbying with the EU, foremost on the issue of single-hull tankers, the Intertanko European Reference Group (IERG) was established. Consisting of European members of the Intertanko Council, the purpose of the IERG was to build up contacts with the respective national governments to facilitate exchanges on issues that were being negotiated at the EU institutions (Intertanko Press Release January 2004, *Naftika Chronika* January 2004).

In monitoring EU policy developments and undertaking lobbying efforts Intertanko contracted a political consultancy, ADS-Insight, in the late 1990s. The political consultancy assisted Intertanko in monitoring and providing information on the legislative output and political developments at the EU institutions, identifying key contacts and allies in the European Commission and the European Parliament and advising on lobbying strategies (Djonne April 2005, Djonne January 2004). This reflected the increasing importance of commercial consultancies in the process of interest representation at the EU level (Lahusen 2002, Lahusen 2003). It was argued that the institutional configuration of the EU was conducive to the development of political consultancies. Indeed, the Treaty of Amsterdam expanded the co-decision procedure to the regulation of maritime transport, offering a number of access points for industry associations seeking to influence legislation. On the one hand, the rapid expansion of EU legislation entailed an opportunity for political consultants to provide monitoring services, analysis and strategic advice. On the other hand, political consultancies were utilised as additional voices or access points in advancing sectoral interests. In turn, the decision to contract a political consultancy was associated to the resources of industry associations, the need for additional support and the perception of political consultancies as a useful tool in furthering interests (Lahusen 2002). These criteria were fulfilled in the case of Intertanko as it was one of the best endowed industry associations (Intertanko Annual Report 2004-05, Intertanko Annual Report 2002-03). In parallel to the expansion of EU competence in maritime transport, it was recognised that Intertanko should be in a position to inform its members on EU developments, represent their interests effectively and engage in lobbying activities to influence EU legislation.

An additional channel of indirect influence to the EU institutions was the Baltic and International Maritime Council (BIMCO). Indeed, in January 1905 the following telegraph exchange occurred between the British shipowner Thomas Cairns and the Danish shipowner Johan Hansen that led to the founding of BIMCO in February 2005:

“With reference Baltic homeward rates coming season can you bring about understanding amongst Danish, Norwegian, Swedish, German owners to act with British owners demand not high but reasonable rates?”

"I do not for a moment believe that we should be able to regulate freights, but it is beyond doubt that when it is known that such meeting has taken place and the various associations would bind themselves not to accept freight under a certain reasonable minimum, I believe this alone might influence the market in the right direction" (*Lloyd's List* October 23, 2003).

As the association evolved over the years, amongst its principal objectives was to ensure that the shipping “industry’s position and pragmatic solutions were brought to the attention of the US, EU and other global maritime authorities” (BIMCO January 2006). The membership of BIMCO was diverse with the main constituencies being shipowners, shipbrokers and agents. The owner-members of BIMCO controlled a fleet of 550 million dwt accounting for sixty-five percent of the world’s dry bulk and tanker fleet. Amongst the 903 owner members, the Greek tanker operators represent approximately thirty to forty percent of total membership. BIMCO actively engaged with IMO working groups and sub-committees, the EU and the United States Coast Guard in promoting the interests of its members (Interview with BIMCO International Affairs Liaison March 2006). In particular, it was maintained that BIMCO sought

“...to fight against the increasing regulatory burden placed upon the shipping industry.... alarmed by the sheer volume of rules and regulations, BIMCO aims to ensure that further initiatives for new legislation were practical and justified and reflect the true state of shipping”. Over the past decade, BIMCO committed increasing resources in developing its networks of contacts in the European Commission and European Parliament. In improving its access to the European Commission, BIMCO appointed the former European Commissioner Neil Kinnock as its EU Liaison Officer and advisor on EU maritime affairs in January 2005. It was anticipated that the EU liaison officer would “...assist BIMCO in its aim of positively engaging in the maritime policy debates in a constructive way and contribute to our own considerable body of knowledge, expertise and experience” (Tung 2005, Interview with Executive Director of European Liner Affairs Association April 2006, Interview with Executive Advisor of European Community Shipowners Association March 2006).

Due to the concurrent presence of several industry associations, discussions were held in the late 1990s to examine an optimal arrangement in representing shipowners at the EU and international levels. The ICS, Intertanko, Intercargo, BIMCO and CENSA considered schemes on improving cooperation, pooling resources and eliminating duplication (*Lloyd's List* October 31, 1998). In 1999 the industry associations agreed to form the Round Table of International Maritime Associations in institutionalising their informal exchanges. Through the Round Table the industry associations would coordinate their activities on general topics, allowing each individual association to concentrate on distinct issues pertaining to the interests of their members (Interview with Manager of Intercargo March 2006, Interview with BIMCO International Affairs Liaison March 2006, Interview with Secretary of International Chamber of Shipping

March 2006). In 2004 the Round Table was reorganised and according to the revised mandate it was intended to provide a strong and unified shipowner voice at international fora, ensure optimal use of limited resources and resolve conflicts in policies between shipowners (Round Table Strategic Plan October 2005). It was recognised that in the aftermath of maritime accidents, the response of shipowners was spasmodic and confusing with industry associations sending divergent messages to national governments, the media and the general public. The Round Table was active in the preparation of joint submissions to the IMO and common positions to the EU. Furthermore, in establishing a formal interface with the European Parliament, the Round Table formed the Intergroup on Maritime Affairs in 2005 (Interview with Secretary of International Chamber of Shipping February 2006). This vehicle enabled industry associations to communicate their viewpoints and interests to MEPs. The purpose was to attract MEPs that do not have knowledge of the shipping industry with the expectation of influencing legislation in forthcoming negotiations. Yet, rather than informing MEPs on the issues of the shipping industry, the Intergroup was criticised for “preaching to the converted” in drawing MEPs who were already engaged with the industry associations.

Table 3: Industry Associations and Greek Shipowners

	ICS	ECSA	Intertanko	Intercargo	BIMCO
<i>Membership</i>	National Shipowners Associations	National Shipowners Associations	Independent Tanker Operators	Independent Dry Bulk Operators	Shipowners, Shipbrokers, Agents
<i>Resources vis-à-vis EU</i>	Close cooperation with ECSA	Permanent Secretariat in Brussels Experience of EU politics Access to EU institutions	Contracted political consultancy European Reference Group Access to EU institutions	Joint Secretariat with Intertanko	Appointed high-profile EU Liaison Officer Access to EU institutions
<i>Greek presence</i>	UGS, HCS, CSC, LSC*	UGS, CSC, MISC	61 independent tanker operators**, 24% of total membership, Hellenic Committee	30 independent dry bulk owners*** 50% of total membership	~30-40% of owner membership****
* Union of Greek Shipowners, Hellenic Chamber of Shipping, Cyprus Shipping Council, Liberia Shipowners' Council, Malta International Shipping Council.					
** Members by registration country, total of 252 members (Intertanko Annual Report 2005).					
*** Members by country, total of 61 members (Intercargo Annual Review 2004-05).					
**** Members by country, 903 owners and operators, total of 2396 members (BIMCO Piraeus Presentation June 2005).					

In sum, in monitoring EU developments and seeking to favourably shape the EU policy-making process, the UGS and the GSCC drew from the resources and networks of several major industry associations. Due to the international nature of the shipping industry, shipping interests had a long history of associability beyond the national level. Although the ICS, ECSA, Intertanko/Intergarco and BIMCO were founded on different principles and objectives, these industry associations expanded their presence and increasingly committed resources in shaping the EU policy-making process. Nonetheless, it was argued that in comparison to other industries, the financial resources that shipowners committed to lobbying were limited (Van Dyck 2005, *Fairplay* March 31, 2005). With the purpose of avoiding duplication and pooling resources the ICS, Intertanko, Intercargo and BIMCO formed the Round Table to effectively promote the interests of the industry at the EU and the IMO. Within these organisations, the Greek shipowners developed a strong presence and were influential in shaping industry positions. This was attributed to the sizeable representation of Greek shipowner interests in the memberships, the provision of technical expertise and industry knowledge and the active involvement in the internal workings of the industry associations. The Greek members belonging to the international industry associations were in turn members of the UGS, the GSCC or both. Thus, alongside the Greek government and direct mobilisation at the EU level, the Greek shipowners were in a position to draw from the resources and networks of the international industry associations in favourably influencing the EU policy-making process.

3.4 Europeanisation, the IMO and organised shipping

Maritime transport rules and standards are historically negotiated and agreed at the international level. In the immediate post-war years, the IMO a specialised UN agency was established responsible for improving maritime safety and preventing pollution from ships. The mandate of the IMO did not comprise the commercial aspects of shipping, as the founding member states and shipowners were opposed to any form of intervention in the competitive operation of merchant shipping. In the subsequent decades the IMO introduced a series of measures and most notably the International Convention for the Safety of Life at Sea (SOLAS) and the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78). Greece maintained an influential position in the IMO which was attributed to its membership in the IMO Council, the provision of technical expertise and knowledge and active attendance in sub-committee and committee meetings. However, the effectiveness of the IMO was undermined by the inconsistent implementation of international standards, an inadequate enforcement mechanism, slow decision-making process and the adoption of lowest common denominator outcomes. The ensuing failings in upholding high maritime safety standards opened ‘windows of opportunity’ for the expansion of EU competences in maritime transport.

Certainly, the formulation of a common maritime transport policy was not among the priorities of the founding members states of the EU. Gradually, maritime transport began to figure more prominently on the EU agenda underpinned by landmark ECJ rulings, the declining competitiveness of the EC merchant fleet and successive waves

of enlargement. The accession of the traditional maritime nations of the United Kingdom, Denmark and Greece increased manifold the size of the EC fleet. In spite of the rise in tonnage, the competitiveness of the EC fleet was eroded by the protectionist measures of developing countries and the transfer of vessels by European shipowners to open registries. With the dual purposes of preparing for the single market and enhancing the competitiveness of shipping, the first EC package of measures on maritime transport was endorsed in 1986. Subsequently, the common maritime transport policy expanded, including the abolition of cabotage trades, maritime safety and marine pollution prevention. In combining the commercial and safety aspects of maritime transport, it was maintained that open competition and the elimination of substandard shipping enhanced the competitive position of EU flagged shipping. With respect to the IMO, the EC initially emphasised the primacy of the international level, seeking to strengthen the implementation and enforcement of internationally accepted standards. However, the 1996 maritime strategy included proposals that departed from the status quo, on the one hand, addressing the weakness of the IMO and on the other hand, challenging the exclusivity of the IMO in the regulation of maritime safety and marine pollution prevention.

Although it was unlikely that shipping companies would engage directly with the EU institutions, there is evidence of the mobilization of Greek shipowners through the national association and European association routes. The lobbying strategies of the Greek shipowners are examined in more detail in the subsequent case studies, whilst this chapter concentrated on the usage of the European route. The international nature of the shipping industry entailed the long-standing existence of several European and international industry associations, with the UGS and the GSCC drawing from their

resources and networks. With the exception of ECSA which concentrates on European lobbying, the ICS, Intertanko/Intergarco and BIMCO were established with different mandates, turning their attention to the EU in the past decade. The sizeable representation in the memberships, the provision of technical expertise and the active attendance of internal meetings underpin the influential position of Greek shipowners in these industry associations.

Chapter 4

Chapter 4: The Greek shipowners and state-business relations

In the post-authoritarian years, the primary characteristics of Greek politics were an oversized, yet weak state, inept public administration, undeveloped civil society and the prevalence of party politics and clientelism (Featherstone 2005, Pagoulatos 2003, Lyberaki and Tsakalotos 2002, Lavdas 1997, Sotiropoulos 1993, Tsoukalas 1993, Mouzelis and Pagoulatos 2002, Lyrintzis 1984, Mouzelis 1978). Attention was drawn to the central position of the political parties in penetrating the Greek state and stifling the development of alternative forms of political representation. Yet, there was increasing evidence that business associability did not follow the general pattern of weak interest politics. Rather, business interests were organised in associations that retained their autonomy from both state involvement and party penetration (Lavdas 2005, Aranitou 2002, Lavdas and Lanza 2000, Ioannou 2000, Lavdas 1997, Legg 1969). Resting on this approach, this chapter analyses the patterns of interaction between the Greek state and shipowners. On the one hand, Greek ocean-going shipowners controlled the largest fleet of dry bulk and tanker vessels comprising 3338 vessels and accounting for 17.1 percent of world tonnage (dwt) (Lloyd's Register – Fairplay March 2006, UGS Annual Report 2004 – 05). On the other hand, Greek coastal shipowners were integral in transporting the largest number of ferry passengers in the EU for 2004 and contributing to the social cohesion and territorial integrity of the islands with the Greek mainland (ESPO National Statistics 2004). Hence, the primary question that emerges is to what extent this sizeable economic presence was manifested in the development of autonomous shipowner associations and the exertion of political influence? In tandem, drawing from existing theoretical interpretations of state-business relations, what were the patterns of interaction

between the state and the Greek shipowners? This chapter provides an analysis of the domestic formal and factual veto points that constituted the domestic institutional arrangement as a basis for interpreting the political implications of European integration in the following chapters.

The chapter commences with an examination of the nature of the Greek state. Despite the extensive presence of the state in the regulation of the national economy and a large public sector, the Greek state is characterised by weakness. Resting on greater organisational resources, legitimacy and internal cohesiveness, the political parties penetrated and instrumentalised the state. Characterised by 'bureaucratic clientelism' and 'machine politics' the incumbent political party distributed favours and jobs to party loyalists through the state mechanisms. Against this background the organisational resources, legitimacy and internal cohesiveness of the Ministry of Mercantile Marine (YEN) are examined. Subsequently, the development of business associability and the autonomy of business interests are analysed. There was wide agreement that Greek civil society was weak and underdeveloped, underpinned by a political culture of mistrust and individualism. In parallel, party politics dominated civil society, stifling the emergence of alternative forms of political representation. However, it was argued that this approach downplayed the autonomy of business interests in the political process. The business associations of the ocean-going and coastal shipowners were examined in deciphering their political influence and autonomy vis-à-vis the state and political parties. Resting on the analysis of the nature of the Greek state and the autonomy of shipowner interests, the chapter turns to the interpretation of the interactions between the state and shipowners as a state corporatist arrangement. The emergence of this configuration is attributed to the

autonomy and structural power of the shipowners and not the state domination of the shipping sector. Moreover, it is argued that ocean-going shipowners maintained a substantial degree of capital mobility as opposed to the coastal shipowners who were more embedded at the national level. In tandem, the ocean-going shipowners constitute the primary formal veto point, whilst the coastal shipowners contend with the influential factual veto point of the island communities. This provides empirical insights in relation to the existing literature on the structure and number of veto points for the process of political change.

4.1 The Weakness of the Greek state

The state was central to the economic development of Greece, underpinned by a cultural tradition that favoured state paternalism over the modern institutions of capitalism, (Diamandouros 1994: 11, Diamandouros 1993, Tsoukalas 1993: 62). The state exercised disproportionate influence over the economy, through regulation, protectionist measures, transfers and subsidies. However, these instruments were employed in a particularistic manner, favouring certain industrial sectors and business interests (Sotiropoulos 2004). The centrality of the state was primarily attributed to the late industrialisation of the Greek economy and its dependence on the Greek diaspora and foreign capital (Demertzis 1995, Mouzelis 1993, Mouzelis 1978). The foreign origin and employment of capital were associated to the emergence of a (semi-) peripheral, underdeveloped form of capitalism in Greece (Diamandouros 1994: 23, Giner 1982: 176, Mouzelis 1978). Rather than manufacturing, these capital funds were directed by a 'comprador' bourgeoisie towards activities such as banking, commerce and shipping (Mouzelis 1978: 20 – 1). The 'comprador' bourgeoisie were

members of the local bourgeoisie, including shipowners and not owning the means of production, acted as mediators of foreign capital (Harlaftis 1993: 66, Mouzelis 1978: 27). Throughout the twentieth century indigenous Greek capital concentrated on the “non-manufacturing sector...shifting a considerable part of its profits to foreign banks or to shipping” (Mouzelis 1978: 28, 36 – 7, Boutros and Minoglou 2006). The state evolved in conjunction with a large and fragmented agricultural sector, a small industrial sector and a productive base consisting of small and medium-sized companies that were primarily family-owned (Pagoulatos 2004: 47, Demertzis 1995, de Jong 1995, Gianitsis 1988, Tsoukalas 1987, Mouzelis 1978: 27).

Despite its extensive presence in the Greek economy and society, the state was portrayed as ‘...a colossus with feet of clay’ (Mouzelis 1990). According to this perspective, the state was penetrated and instrumentalised by party interests (Mouzelis and Pagoulatos 2002, Charalambis 1996, Sotiropoulos 1995, Sotiropoulos 1993, Lyrantzis 1984). Particularly in the post-authoritarian years the terms ‘machine politics’ and ‘bureaucratic clientelism’ were employed in interpreting the penetration of the state by political parties (Mavrogordatos 1993, Lyrantzis 1984). This involved the “systematic infiltration of the state machine by party devotees and the allocations of favours through it’ as well as the expansion of existing and the establishment of new posts and departments in the public sector with the prime intention of preserving the party’s electoral base” (Lyrantzis 1984: 103). Patron-client relations referred to interpersonal ties that were not based on kinship, whilst ‘bureaucratic clientelism’ entailed the formation of clientelistic relationships between collectivities. It was argued that “...when the parties for the first time had the organisational capacity to reach the country’s remotest villages, and given the hugely increased resources now at

their disposal, they were able to indulge in clientelistic practices on a much more massive scale” (Mouzelis and Sotiropoulos 2002). The employment and appointment of party cadres converted the state into a tool for the allocation of favours by the governing party (Mouzelis and Pagoulatos 2002: 9, Featherstone 1990: 101-2, Lyrantzis 1984: 103). It was noted that the organizational structure of the socialist party PASOK involved the reconfiguration of interpersonal clientelist ties through the party mechanism, exchanging rewards and benefits for electoral votes. It was maintained that instead of an efficient provider of services, the state became a source of recruitment whilst public administration was unable to ensure policy consistency (Spanou 2000: 165, Sotiropoulos 1996: 144).

In comparison to political parties, it was argued that the state possessed limited organizational resources (Sotiropoulos 1993: 52). Firstly, Greek constitutions provided political parties with ample space to shape the procedures and institutions of the political process, including the bureaucracy, judiciary and electoral law. Secondly, the legitimacy of the state and public administration was low. In the words of one commentator, patronage eroded “...the legitimacy of the public administration, [whilst] legalism and formalism do not necessarily mean standardization, formalization and predictability” (Spanou 1998, Spanou 1996). In converse, the distribution of jobs and favours underpinned the legitimacy of political parties (Sotiropoulos 1993). Thirdly, the political parties possessed larger technical expertise compared to the state bureaucracy. Fourthly, the political parties were internally more cohesive than the state institutions. Absence of internal democracy combined with paternalistic leadership underscored the discipline and unity within political parties. Although internally the public administration was characterized by centralization,

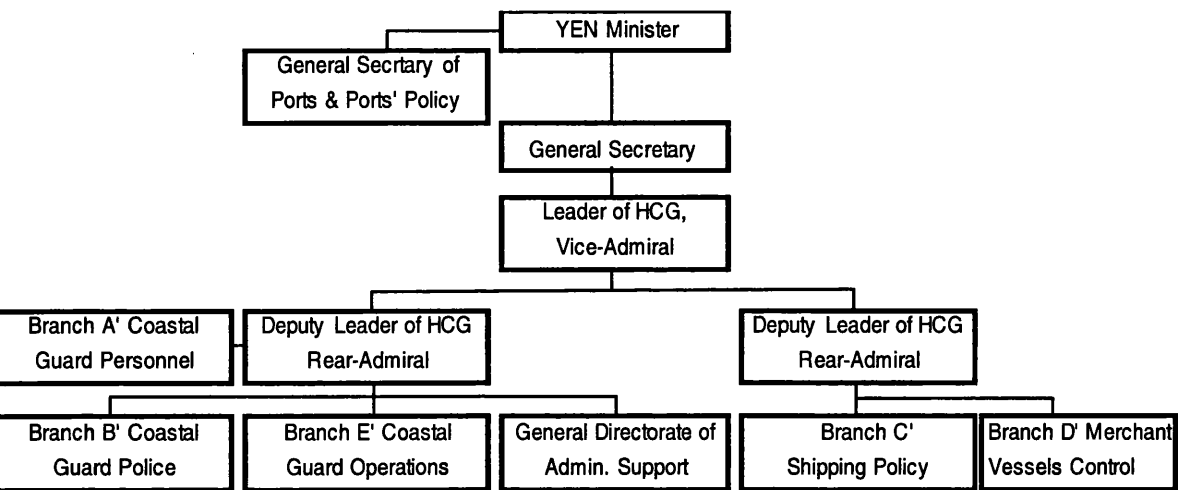
cohesion was undermined by a multiplicity of overlapping ministries and public organizations and the absence of an ‘esprit de corps’ (Sotiropoulos 1993).

As part of the state configuration, the Ministry of Mercantile Marine (Υπουργείο Εμπορικής Ναυτιλίας, YEN) was dedicated to shipping. The exigency for a specialised shipping Ministry was recognised from the early twentieth century with a series of initiatives culminating in the establishment of the YEN in 1936. Following the Second World War the YEN headquarters were transferred from Athens to the maritime centre of Piraeus in 1945. The purpose of the Ministry was to integrate all aspects of maritime transport into a single institution. The mandate of YEN encompassed “...the organisation, improvement, protection and development of shipping, its connections with the national economy, the promotion of sea tourism, the protection of human life and property at sea, Search and Rescue operations, the protection of marine environment, the safety of shipping and the formulation of port policy” (Article 1 Presidential Decree 242/99). In addition, YEN was responsible for maritime education, labour issues, the policing of vessels, ports, territorial waters and national borders (Article 1, paragraphs b, c, d, Presidential Decree 242/99).

The broad mandate of YEN included both the formulation of maritime transport policy and a policing mission. This was reflected in the institutional configuration of YEN with the Hellenic Coast Guard (Ελληνικό Λιμενικό Σώμα, HCG) performing both shipping policy and policing functions. Unlike other EU member states, YEN and the HCG were intertwined (Interview with Maritime Transport Attaché of Greece to the International Maritime Organisation April 2006). The HCG was founded in 1919 with Law 1753 and was composed from personnel of the Directorate of

Merchant Navy and the existing coast guard. Subsequently, in 1936 with Law 345 the HCS was incorporated in YEN. It was a paramilitary organisation that operated under the political leadership of YEN and in times of war was transferred to the authority of the armed forces. Aside from the political leadership of YEN, consisting of the Minister, the Secretary General and the Secretary General of Ports and Ports' Policy, the Ministry was composed almost entirely by HCG officers (Papoutsis MP Minutes of Hellenic Parliament June 25, 2001). The heads of the Branches and General Directorates were senior officers of the HCG. Hence, alongside its policing mission, the HCG formulated maritime transport policy, liaised with shipowners and represented Greece in international fora and the EU (*Figure 1*).

Figure 1: YEN Organisation Chart



Source: YEN 2006.

National policies on ocean-going shipping were consistent throughout the post-authoritarian years. Unlike other industries, it was maintained that shipping policies were insulated from party politics (Interview with Chairman of GSCC March 2006, Interview with Greek Deputy Maritime Transport Attaché to IMO April 2006, Interview with Greek Maritime Transport Attaché to EU March 2006). The national policy on merchant shipping was underpinned by the principle of free and fair competition and opposition to any form of protectionist measures that could distort competition (Legislative Decree 2687/53). In tandem, the international nature of shipping necessitated a global, uniform and stable regulatory framework for its smooth operation (Interview with Greek Deputy Maritime Transport Attaché to IMO April 2006, Interview with Vice-Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Director of Hellenic Chamber of Shipping May 2006, Kefalogiannis 2005, Soumakis 1998, Manos 1998). Unilateral or regional measures were opposed as according to a former YEN Minister, the ensuing 'regulatory chaos' "...would have been a plague for shipping, as implementation of

all these contradictory provisions – if at all possible – would have been extremely costly” (Soumakis 1998). Resting on this set of principles, the strategic objective of YEN was the protection and promotion of the competitiveness of Greek shipping. This was embodied in the repatriation (*epanapatrismos*) strategy of YEN with respect to Greek-owned shipping through the registration of their vessels on the Greek registry, the relocation of Greek companies to the national economy, the promotion of the port of Piraeus as an international shipping centre and the modernisation of maritime infrastructure (Kefalogiannis 2005, Minutes of the Hellenic Parliament Sessions March 2, 2006, Aspinwall 1995: 75, Harlaftis 1993: 143, Vlachos 1958). Notably, a favourable investment legislative framework and the tonnage tax regime were established to attract the repatriation of Greek-owned shipping.

The national policy on coastal shipping was the single exception to the liberal approach of the Greek state regarding the shipping industry (Interview with Member of the Greek Shipping Cooperation Committee Council March 2006). Coastal shipping was organised as a cabotage trade, reserving the provision of services solely to passenger ferries with a Greek flag. Central to the institutional configuration for almost three decades was the system of licences, allocated to coastal shipowners for specified routes and of indefinite duration (Interview with Director of Hellenic Institute of Transport April 2006, Interview with Legal Advisor of Attica Group March 2006). This was devised with the purpose of preventing ‘catastrophic competition’ between coastal shipowners, ‘predatory pricing’ against passengers, whilst ensuring the social cohesion and territorial integrity of the islands with mainland Greece. YEN was responsible for regulating market entry, issuance of operational licenses, setting the fares, crew composition, imposition of public service

obligations and enforcement of licence terms (Interview with Legal Advisor of Attica Group April 2006, Giannopoulos and Aifandopoulou-Klimis 2004, Psaraftis 1998). In allocating licences the YEN Minister was aided by the Coastal Transport Advisory Committee (*Γνωμοδοτική Επιτροπή Ακτοπλοϊκών Συγκοινωνιών*, CTAC).⁹ Over the years, the coastal shipowners holding the licences remained largely unchanged fostering a ‘machine politics’ arrangement with YEN. Notwithstanding affiliations with individual coastal shipowners, of two leading political parties neither PASOK nor New Democracy questioned the core principles of the system of licences throughout the post-authoritarian period.

The transference of the functions of YEN to other Ministries and the institutional separation from the HCG was a recurring theme in Greek politics (Interview with Member of Greek Shipping Cooperation Committee Council February 2006). Notwithstanding an interlude in 1971, YEN survived a number of calls for its integration within other Ministries. Notably in May 1969 on his first visit to YEN, the head of the military regime, George Papadopoulos stated “...according to which principles was it deemed necessary that YEN should consist of Coast Guard officers... this question remains unanswered even following today’s presentation” (Papadopoulos 1969, Papadopoulos 1968). Within two years YEN was converted into a deputy ministry within the Ministry of Transport and Communications (YME), whilst certain functions were transferred to the Ministries of National Economy and Labour. Nevertheless, due to difficulties in integrating the HCG into the YME and the opposition of the shipowners, an autonomous YEN was reinstated by the military

⁹ Six of the twelve members of the CTAC were government officials or appointed by the YEN Minister. The remaining six were split amongst four representatives of coastal shipping, a representative of the Piraeus Chamber of Commerce and Industry and one representative from the National Tourist Organisation as an articulator of consumers’ interests.

regime in 1971 (Harlaftis 1993). Likewise, in the summer of 1985 the newly elected PASOK government initiated the replacement of YEN with a secretariat under the Ministry of National Economy as part of draft legislation on the reorganisation of the Ministries. Combined with resistance from the HCG, the UGS opposed the proposals, stating that the downgrading of YEN would accelerate the re-flagging of Greek-owned vessels to open registries. Within weeks, the proposals were withdrawn with the Minister of the Interior justifying the decision on the basis “...not only of historical and national, but also of special economic reasons” (Koutsogiorgas MP Minutes of the Hellenic Parliament Sessions July 10, 1985). In 1997 and again in 2002, the reform of YEN and its disentanglement from the HCG were put forward (*To Vima* January 14, 2001, *Naftemporiki* July 22, 1997). The proposed amendments suggested the internal reorganisation of YEN and the assignment of a larger share of policy-making responsibilities to civil servants. It was argued that shipping policy should not be conducted by the coastal guard (Minutes of the Hellenic Parliament Sessions February 16, 2001). Rather, the policing mission of the Coastal Guard and the policy-making responsibilities of YEN should be separated within a corresponding institutional configuration. This was a constant request of politicians from the left who sought the ‘democratisation’ of YEN and its disentanglement from the HCG (Skopelitis MP Minutes of the Hellenic Parliament Sessions February 16, 2001). In both instances the UGS and GSCC opposed the proposals as it was perceived that the reform of YEN would instigate broader changes to the existing regulatory framework. In tandem, it was claimed that the existence of YEN was a symbol of the significance of Greek merchant shipping and that maritime transport policy-making required the expertise and long experience of the HCG officers. A counter-proposal from the UGS

was the concentration of YEN on merchant shipping and the transference of coastal shipping to another Ministry.

Despite the continuity in maritime transport policy, YEN was not entirely insulated from party politics. Penetration of YEN by party politics was evident in the employment, promotion and evaluation of HCG officers. Illustratively, in 1993 the newly elected government almost immediately replaced five commodores, three admirals and the maritime transport attaché to the IMO (*Kathimerini* November 16, 1993). In the period from 1993 to 1995 it was claimed that over eighty HCG senior officers were prematurely retired for party-political reasons. In the words of the parliamentarian who quoted these numbers, in the HCG "...there is an absence of meritocracy, with employment and approval depending on party affiliations" (Varinos MP Minutes of the Hellenic Parliament Sessions June 25, 2001). Similarly, it was stated that the employment and promotion of HCG officers was to a large extent conducted according to political and not meritorious criteria, which was exemplified in the appointment of Maritime Transport Attaches in Greek embassies abroad (Minutes of the Hellenic Parliament Sessions January 12, 2004, Varvitsiotis MP Minutes of Hellenic Parliament Sessions June 25, 2003, Minutes of Hellenic Parliament Sessions December 12, 2002,). The procedures for the employment, evaluation and education of officers were the subject of several legislative initiatives. It was suggested that YEN and the HCG should adopt an organisational model similar to the leadership structure of the armed forces, which was partially insulated from party politics because of the absence of a General Secretariat (Pavlopoulos MP Minutes of Hellenic Parliament Sessions June 25, 2001).

Therefore, historically the Greek state had a large presence in the national economy through regulation, protectionism, transfer and subsidies, whilst an extensive public sector became a significant source of employment. Nonetheless, it was maintained that the state was weak, lacking in organisational resources, legitimacy, technical expertise and internal cohesiveness. Particularly in the post-authoritarian years, the state was penetrated and instrumentalised by party political interests, characterised by 'bureaucratic clientelism' and 'machine politics'. The prevalent patron-client relations were reorganised through the party mechanisms into clientelist ties between collectivities, exchanging rewards and favours for electoral votes and party loyalty. The employment and appointment of party followers converted the state into a tool for the allocation of favours by the governing party. In recognition of the importance of shipping for the Greek economy, YEN was established to integrate all aspects of maritime transport. Unlike other civilian Ministries, YEN was intertwined with the HCG and was predominantly composed of HCG officers. Hence, alongside its policing mission, the HCG was involved in the formulation of maritime transport policy, labour issues, maritime education and the representation of Greece in international fora such as the IMO and the EU. The disentanglement of the shipping policy and policing functions and the institutional separation of YEN and the HCG were the subject of a series of initiatives across the post-war years. The failure of these attempts was attributed to the resistance of the HCG and most importantly the influence of the Greek shipowners who favoured the status quo. Indeed, national policies on ocean-going and coastal shipping were consistent and continuous. PASOK and New Democracy when in power or as opposition parties shared the same principles and approach to shipping policy, pursuing on the one hand, the repatriation of Greek shipowners and the promotion of the competitiveness of the Greek flag and

on the other hand, the preservation of the cabotage trades and the ‘system of licenses’.

Irrespective of the continuity in policy-making, YEN and the HCG were not insulated from the penetration of party politics. Reflecting clientelist practices across the state sector, the employment, promotion and evaluation of HCG officers were dictated by party affiliation.

4.2 The autonomy of Business interests

There was wide agreement that interest politics in Greece were underpinned by a weak civil society and a civic culture prone to individualism that obstructed cooperative and compliant behaviour (Mouzelis and Pagoulatos 2002, Diamandouros and Larrabee 1999, Diamandouros 1994, Tsoukalas 1993, Diamandouros 1983). In examining the Greek political culture, attention was drawn to the lack of trust in forming social collectivities and the prevalence of free-riding attitudes (Tsoukalas 1993). Likewise, in employing the concept of social capital it was maintained that the prevalence of patron-client relations in Greek society suppressed civic engagement, social trust and cooperation (Lyberaki and Tsakalotos 2002, Paraskevopoulos 2001, Paraskevopoulos 1998).¹⁰ Although there was empirical evidence of differentiation between regions, the low stocks of social capital across Greek society ‘stunted the very concept of the citizen’, as political ‘participation was triggered by personal dependency or private greed, not collective purpose’, ‘laws were made to be broken’ and ‘corruption was widely regarded as the norm’ (Lyberaki and Tsakalotos 2002, Paraskevopoulos 2001, Levi 1996).¹¹ In turn, this was attributed to the domination of

¹⁰ Robert Putnam defines social capital as “the features of social organisation, such as networks, norms and social trust that facilitate co-ordination for mutual benefit” (Putnam 1995, Putnam 1993). Robert Putnam’s research on Italy demonstrates the correlation between high stocks of capital and a robust civic community accompanied by economic growth and vigorous democratic practices. In explaining the differences in the economic and political performance of Northern and Southern Italy, Putnam draws attention to the horizontal networks of civic engagement of the former. These networks, consisting of associations, cooperatives and societies are central to the solution of the dilemmas of collective action.

¹¹ Paraskevopoulos suggests five criteria for measuring the learning capacity of local institutions. First, the existence of fora, within which actors can come together to exchange ideas and information. The density of collaboration and communication between the public and the private spheres is the second criterion. A third criterion is the emergence of new institutions or changes to the existing ones as a result of learning. In addition, the local actors must share a consensus regarding the major issues affecting their region. The fifth criterion is the adaptation of policy output, by which he seems to mean

civil society by the incumbent political party, an extensive public sector and strongly developed party clientelism (Morlino 2005, Lyberaki and Tsakalotos 2002). It was maintained that Greek post-war politics were marked by the domination over civil society by the state and party politics, inhibiting the flourishing of effective forms of political representation (Morlino 2005, Featherstone 2005, Mouzelis and Sotiropoulos 2002, Meynaud, Notaras and Merlopoulos 2002, Lavdas and Lanza 2000, Lavdas 1997, Lavdas 1996, Diamandouros 1983). It was argued that "...the logic of political partisanship and party clientelism permeated the whole of society and undermined the specific logic of all institutional subsystems, from education and sports to recreation and religion" (Mouzelis and Sotiropoulos 2002).

Nonetheless, it was maintained that research on Greek interest politics underplayed the empirical evidence of the autonomy of business interests (Lavdas 2005, Aranitou 2002, Lanza and Lavdas 2000, Lavdas 1997). In the words of Lavdas (2005), business interests "...have been better organised, more independent from state institutions and much more influential than has been presented in the literature". The autonomy of the business interests can be attributed to organisational resources, technical expertise and internal cohesion. Alongside access to senior political figures, business interests exercised indirect political influence by financing the campaigns of politicians and most importantly through capital mobility (Sotiropoulos 2004). Similarly, Tsoukalis (1997: 169) speaks of a weak state that was penetrated by both political parties and organized interests:

"The modern Greek state is both omnipresent and fundamentally weak. Its pervasive influence is intimately linked to a clientele system, which it has

how policies are formulated and adapted to the particular problems that are affecting an area (Paraskevopoulos 2001: 224 – 9).

been precisely intended to serve. It is extremely vulnerable to political parties and organized groups, while its institutions remain weak, inflexible and inefficient in performing its traditional Weberian functions”.

The autonomy of business interests was primarily manifested in the emergence of the associations of Greek industrialists and shipowners (Lavdas 2005, Kazakos 2004, Aranitou 2002, Ioannou 1999, Lavdas 1997, Lavdas 1996, Diamandouros 1994: 66, Sotiropoulos 1993: 51, Legg 1969). Amongst the most prominent business associations were the Federation of Greek Industries (Σύνδεσμος Ελληνικών Βιομηχανιών, SEV) and the Confederation of Small and Medium-Sized Enterprises of Greece (Γενική Συνομοσπονδία Επαγγελματιών Βιοτεχνών Εμπόρων Ελλάδας, GSEVEE) established in 1902 and 1919 respectively. Since more than ninety percent of firms in Greece were small and medium-sized enterprises (SMEs), the boundaries between the two associations were not precise. Nonetheless SEV attracted the largest companies and capital intensive SMEs whilst GSEVEE consisted of artisans, traders and professionals. Although SEV was the most prestigious organization, its influence was circumscribed by the prevalence of SMEs in the Greek economy (Mouriki 2004, Lavdas and Lanza 2000, Ioannou 1999). Nonetheless, SEV derived its political clout from its participation in the negotiation of collective agreements on employees’ wages with the Greek General Confederation of Labour (Γενική Συνομοσπονδία Εργατών Ελλάδας, GSEE). By contrast, the effectiveness of GSEVEE in the collective representation of SME interests was weak, underpinned by the fragmentation of industries and sectors that comprise its membership (Lavdas and Lanza 2000).

The interests of the shipping industry were represented by a separate set of sectoral organisations. The primary distinction was between ocean-going shipping associations representing the interests of dry bulk and tanker operators and coastal shipping associations representing the companies plying the domestic cabotage routes. The Union of Greek Shipowners (Ενώσης Ελλήνων Εφοπλιστών, UGS) represented the interests of ocean-going shipowners located in Piraeus whilst the Greek Shipping Cooperation Committee (GSCC) comprised the Greek shipowners located in London. With respect to coastal shipping three organisations figured prominently, notably the Union of Coastal Shipowners (Ενώσης Ελλήνων Ακτοπλόων, EEA), the Greek Shipowners Association for Passengers Ships (Ενωση Εφοπλιστών Επιβατηγών Πλοίων, EEEP renamed in 2004 to Σύνδεσμο Επιχειρήσεων Επιβατηγού Ναυτιλίας SEEN) and the Mediterranean Cargo Vessels Shipowners Union (Ενωση Εφοπλιστών Μεσογειακών Φορτηγών πλοίων, EEMFP). The EEA represented the interests of coastal shipowners operating passenger vessels on the domestic cargo trades, the EEEP consisted of passenger and cruise ship owners operating on international routes and the EEMFP represented short sea cargo vessels owners. Neither SEV nor the GSEVEE maintained shipping companies in their memberships. With respect to ocean-going shipping companies it was argued that the distinctive nature of their business operating beyond the Greek territory required specialised institutional representation. In tandem, both ocean-going and coastal shipping associations maintained well-developed contacts with the government and especially YEN. It was believed that joining SEV would not add advantages as the shipping business associations were sufficiently influential (Interview with Member of the Greek Shipping Cooperation Committee Council March 2006).

The international nature of ocean-going shipping entailed the geographic dispersion of Greek shipowners. Throughout the course of twentieth century, Greek shipowners operated primarily from Piraeus, London and New York. Accordingly, this was reflected in the institutional representation of their interests. With the purpose of articulating the interests of Greek shipowners operating from Greece, the UGS was founded in 1916 at the port of Piraeus (UGS Annual Report 2004 – 05). In the interwar years the Anglo-Greek Shipping Cooperation Committee (GSCC) was established in London, whilst the New York Cooperation Committee (NYSC) was set up in New York, both representing expatriate Greek shipowners (Harlaftis 1993: 157, Frischauer 1968: 68, Sturney 1962: 359). Aside from representing interests, the initial mandate of these organisations was to facilitate the coordination of market arrangements in addressing the cyclicity of the shipping markets (Interview with Vice-Chairman of Greek Shipping Cooperation Committee March 2006). In the immediate post-war decades the relations between the three associations were harmonious involving regular meetings, exchange of information and consultation. Over these years, the GSCC maintained the largest membership and was the most influential of the three associations. Commencing from the 1960s and during the period of military dictatorship in Greece between 1967 and 1974, the relationships between expatriate and the shipowners located in Greece were strained. The UGS became inward-looking as it spoke for domestic business groups that were concurrently engaged in other business activities such as manufacturing, construction and finance. This tendency was embodied in the UGS President Andreades from 1960 until 1974. The ‘Andreades Group’ maintained close ties with domestic industrial companies and was able to negotiate with successive Greek governments from a stronger position compared to the expatriate Greek shipowners (Lavdas and Lanza

2000: 221, Lavdas 1997: 79 – 80). Nevertheless, in the post-authoritarian years, the divisions between the UGS and the GSCC were bridged. In parallel, with the decline of Greek-owned shipping operating from New York and the weakening of the NYSC, the UGS and SGCC became the primary channels for the articulation of Greek shipowning interests.

The UGS represented the interests of Greek-owned cargo vessels over 3,000 gross tonnage under the Greek and other flags. In 1974 the UGS was reorganised with the formation of a thirty-member Board of Directors with a three year term and a General Assembly (UGS Annual Report 2004 – 05). The allocation of voting rights corresponded to tonnage registered with the association and maximum number of votes per vessel. Although information on membership was not disclosed, it comprised all the major dry bulk and tanker companies located in Greece and was described as the largest national shipowners' association in Europe (*Lloyd's List* February 7, 1997). The GSCC represented more than one hundred Greek-owned shipping companies operating from London. It was organised in a similar structure with the UGS with a twenty-five member Executive Council and a General Assembly with voting rights corresponding to gross tonnage (GSCC Annual Report 2004 – 05). Due to its location in London the GSCC was obliged "...to keep a wary eye on the whims of two governments, not just one" (*Lloyd's List* April 27, 2004). In addition, permanent advisory teams on technical issues were setup, consisting of personnel from the members' companies to improve the monitoring of IMO deliberations and to participate in IMO meetings through the capacity of Technical advisors to the Greek delegations. The UGS and the GSCC cooperated closely, conducting joint meetings of the executive councils whilst several shipowners were voted on the boards of both

associations (Interview with Chairman of Greek Shipping Cooperation Committee March 2006). Regarding the national policies of the Greek government there was consensus between the two associations on the issues regarding the competitiveness of the national register, seafarer recruitment and maritime education (UGS Annual Report 2004 – 05). In addition, the UGS was responsible for the annual negotiation of the national collective agreement circumscribing the employment of Greek seafarers onboard Greek-flagged vessels. It was maintained that although the shipowner associations evolved in close cooperation with successive Greek governments, the UGS and the GSCC maintained considerable autonomy. Indeed, the Greek shipowners controlled the largest fleet operating in the dry bulk and tanker segments of the shipping industry (Lloyd's Register – Fairplay March 2006, OECD 2005).

The influence of the UGS and the GSCC with respect to the Greek government rested primarily on the capital mobility of Greek shipowners and the option to withdraw vessels from the Greek registry as well as transfer shipping operations to other countries. In addition, the shipping industry was historically an important sector of the Greek economy. This can be traced to the inception of the modern Greek state as indicated in an analysis by Bikelas (1868: 280),

“Greek commerce has taken a considerable development from the wars of the French revolution. At that time the grain trade of the Mediterranean was entirely in the hands of Greek merchants and shipowners. The wealth then amassed by them served to the regeneration of the country. The *Philiki Etaireia* which prepared and organized the revolution was principally an association of merchants, and it is with the capital of the rich

shipowners of the islands that the fleets, during the revolution, were equipped and maintained”.

In the post-war years the shipping sector was a source of foreign exchange inflows, employment and technology transfer and shipowning capital was invested in a variety of domestic industries such as oil and coal manufacturing, chemicals, shipbuilding, finance, tourism, insurance and real estate (UGS Annual Report 2004 – 05, Harlaftis 1993).¹² Foreign exchange earnings from shipping activities for the year 2005 financed thirty-one percent of the balance of trade, whilst representing 4.8 percent of Greece’s GDP (*Figure 1*) (Bank of Greece Annual Report 2004: 247). For the same year, it was estimated that Greek shipowners controlled 22.4 percent of the world oil tanker fleet and 24.6 percent of the world bulk carrier fleet. In managing this fleet, approximately one thousand companies operated in Greece and in addition to service providers and seafarers, provided employment to over hundred thousand persons (UGS Annual Report 2004 – 05). Furthermore, the merchant fleet is a strategic component of the national defence with the capacity to carry supplies and personnel at a time of armed conflict or national emergency. It is estimated that national defence expenditure would rise by 25 percent if the state could not rely on merchant vessels as a source of naval auxiliary vessels (Strati 1997: 263).

With respect to coastal shipping the shipowners concentrating on the domestic passenger segment were represented by the EEA, whilst the shipowners operating on the international passenger routes and the cruise industry were members of the EEEP. Nevertheless, there was an overlap in the membership of the two organisations and

¹² Please refer to Chapter 6 of this thesis for more detail and examples of the contribution of Greek merchant shipowners to the national economy.

with respect to the liberalisation of the cabotage trades over the 1990s both associations were actively involved in the political process. The EEEP was established in 1921 and grew to encompass the major Greek passenger shipping and cruise companies culminating in sixty-four members in 2005, including Superfast Ferries, Strintzis Lines, Blue Star Ferries, Minoan Lines and ANEK Lines. Membership was restricted to companies owning a coastal passenger or cruise ship of over 50 gross registered tons under the Greek flag or a foreign flag issued at the Greek Seamen's Pension Fund (NAT). Voting rights were accorded to the tonnage a shipowner registered with the association, with a cap on the maximum numbers of votes per vessel. According to the statute of the EEEP, the primary objective of the association was "...the study and implementation, through the cooperation of its members, of the most appropriate measures for the improvement and renewal of passenger ships, according to evolving requirements and social needs, for the benefit of the public and the promotion of the interests of its members" (EEEEP Statement of Purpose 2001). The EEA since its inception in 1926 represented the interests of the domestic coastal shipowners plying the routes between Greek mainland and the islands. The association emerged as the collective effort of a number of coastal shipowners to counter the adversarial market conditions prevailing due to the intense competition between coastal shipping companies. As with the other shipowner associations, tonnage was the basis of membership and voting rights with an eleven member Board of Directors with a three year term and a General Assembly. The EEA comprised of sixteen members with over eight percent of the voting rights held by Hellas Flying Dolphins, Anek Lines, Minoan Lines, G.A. Ferries, Blue Star Ferries and NEL Lines (*Naftemporiki* February 21, 2003). The members of the EEA were influential and maintained close ties with YEN and the Greek government. The

relationship between the coastal shipowners and the state rested on a system of licences, whereby a domestic route was allocated to a specific vessel for its entire economic life, forming high barriers of entry to competitors. This relationship was institutionalised through the Coastal Transport Advisory Committee (CTAC) that advised the YEN Minister of issues of coastal shipping including the allocation of licences. From the twelve members of the CTAC, four positions were reserved for representatives of the coastal shipowners. Aside from specific issues pertaining to the cruise shipping sector, the agenda of the EEEP and the EEA was similar throughout the 1990s, involving the liberalisation of the cabotage trades and European Commission proposals for amendment of respective national legislation, issues of maritime safety, the development of port infrastructure and the training of seafarers. With certain exceptions, the EEEP and the EEA were opposed to the liberalisation of the cabotage trades, yet as the members altered their commercial strategies, both associations were in support of the full liberalisation of the domestic coastal market with respect to routes and fares.

The EEMFP was established in 1940 as the Mediterranean Steamship Vessels Shipowners' Union and represented the interests of Greek shortsea cargo owners irrespective of flag of vessel. The shortsea cargo segment was highly fragmented and this was reflected in the membership of EEMFP with one hundred and fifty members. Membership and voting rights were allocated according to the tonnage of the member companies with a nine member Board of Directors and a General Assembly. The main objectives of the EEMPF were the development of shortsea shipping in Greece, the improvement of the competitiveness of Greek-flagged shipping and the promotion of the principles of free and fair competition. Unlike the EEA and the EEEP, during the

EU negotiations on the liberalisation of the cabotage trades, the EEMPF in conjunction with the UGS were in favour of the opening of the domestic coastal markets. Likewise, the EEMPF maintained the Greek shortsea promotion centre as part of the EU Shortsea Network and the EU initiatives to promote shortsea shipping as an alternative to other modes of transportation (Interview with Shortsea Shipping Advisor of EEMFP April 2006, Interview with European Commission official Directorate Energy and Transport April 2006). The shortsea promotion centre was established in collaboration with YEN, mandated to monitor EU initiatives on shortsea shipping and make proposals to YEN within the EU guidelines (EEMFP Annual Review March 2006). The EEMFP was not as influential as the ocean-going and coastal shipowner associations due to limited organisational resources, legitimacy and significance for the national economy.

Unlike the shipowner associations, the Hellenic Chamber of Shipping was a state institution mandated to provide technical expertise and advisory services to YEN and the Greek government on shipping affairs as well as arbitration services to shipping companies and charterers (Law 989/1979). Chambers of Commerce and Industry were established by government decrees as 'mandatory, autonomous associations of natural and legal persons with business activities' for the collective articulation of business interests and the provision of advice to the government (Law 2081/1992). The Hellenic Chamber of Shipping (HCS) was founded in 1934 and operated in close cooperation and under the supervision of YEN. Nevertheless, it maintained a certain degree of autonomy as it was governed by internally elected shipping industry representatives and was self-financed. The membership of HCS comprised the major shipowner associations including the UGS, EEA, EEEP and the EEMFP. Historically

the HCS was dominated by the ocean-going shipowners with the senior positions filled with members of the UGS. Nonetheless the HCS was a technocratic body that sought to provide technical expertise and research in the deliberative process of legislation (Interview with Director of Hellenic Chamber of Shipping May 2006).

In sum, there was agreement in the literature that Greek civil society was weak, underpinned by a political culture that did not foster civic engagement and social trust. At the same time, political parties dominated interest politics, inhibiting the development of alternative forms of political representation. This interpretation of interest politics underplayed the autonomy of business interests. Business associability emerged in early twentieth century and was manifested in the formation of associations that possessed organisational resources and were largely autonomous from the state and political parties. This was reflected in the shipping industry with the emergence of several sectoral associations representing the interests of shipowners. With respect to ocean-going shipping the UGS and the GSCC were influential in representing the interests Greek shipowners located in Piraeus and London. The strategic importance of merchant shipping for the Greek economy combined with the capacity of Greek shipowners for capital mobility, underpinned the influential position and autonomy of their associations. In coastal shipping, although the EEA, the EEEP and secondarily the EEMFP maintained autonomy, their relationship with YEN was underpinned by a different regulatory framework. This rested on the system of licences that were allocated by YEN to the vessel of a shipowner for its entire economy life. This resulted in the formation of closed system involving successive Greek governments and certain coastal shipowners who were insulated from competition by high institutional barriers to market entry. Following

the pattern of other Greek Chambers of Commerce, the Hellenic Chamber of Commerce was not an autonomous representative institution for shipowners' interests. Although it consisted of the shipowner associations with the prevalence of the UGS, the HCS was an extension of the state machinery in providing advice and technical research on legislation under deliberation.

4.3 State-Business relations

Despite an extensive public sector and prominent position in the regulation of the economy, the Greek state was interpreted as weak and penetrated by party politics. In parallel, sectoral associations representing the interests of Greek shipowners were autonomous from party politics, possessing organisational resources and political influence. Resting on these interpretations, attention turned to the interrelations between the state and Greek shipowners. Several theoretical interpretations of state-business relations were advanced drawing from pluralism and corporatism (Lavdas 2005, Sotiropoulos 2004, Pagoulatos, Pagoulatos 2003, Pagoulatos 1999, Mavrogordatos 1998, Lavdas 1997, Kioukas 1997, Sotiropoulos 1995, Tsoukalas 1993, Mouzelis 1986). As the theoretical approaches of pluralism and corporatism were developed in interpreting state-business relations in industrialised countries, there were difficulties in their application to late industrialised countries such as Greece. In the words of one commentator, the societies of Southern Europe were "...subject to the ambiguities, strains and endemic polarizations generated by the simultaneous presence on their soil of a number of contradictory trends and uneven stages of economic development" (Giner 1982: 173). In acknowledging the inherent contradictions in the Greek political process, state-business relations were

characterised by a 'disjointed corporatism' (Lavdas 2005, Molina and Rhodes 2002: 308, Lavdas and Lanza 2000, Lavdas 1997). This entailed 'a pluralist arena of competition for state favours' that resisted a corporatist interpretation (Lavdas 1997). Against the background of extensive state involvement in the economy, the regime discontinuities of twentieth century Greek politics generated a patchwork of state-business relations that differed across sectors. This fragmentation of interest representation discouraged the adoption of social pacts and inter-sectoral agreements, with the exception of collective wage arrangements. In recognizing overarching patterns of 'disjointed corporatism' the discussion concentrated on state-business relations at the sectoral level and specifically the shipping industry.

Drawing from (neo-) pluralism, attention was drawn to the privileged position of business interests in the political process (Held 1996: 216, Smith 1993, Dunleavy and O'Leary 1987: 292 – 3, Jordan and Richardson 1987). Although power was distributed amongst a large number of interest groups, it was acknowledged that influence was 'widely not equally, dispersed' (Williamson 1989: 53). As the relations between interest groups and government agencies evolved, certain groups gained more access and influence (Smith 1999: 203). It was emphasised that neither the state was neutral in representing a distinct set of objectives, nor all interests groups were equal with business exerting disproportionate influence over the state. The influence of business associations emanated from more organisational resources, access to senior politicians and the financial support of electoral campaigns. Furthermore, some pluralist theorists pointed to the accommodation of business interests becoming a structural imperative of the political system (McLenna 1997: 57, Wilson 1990: 11). Explicitly, it was maintained that,

“...it becomes a major task of government to design and maintain an inducement system for businessmen, to be solicitous of business interests, and to grant them, for its value as an incentive, intimacy of participation in government itself” (Dahl and Lindblom 1997: 58).

Within the context of Greek state-business relations the application of pluralism was intertwined with the prevalence of political parties. Resting on the theorisation of a weak state penetrated by party politics, it was maintained that state-business relations were characterised by ‘parentela pluralism’ (Pagoulatos 1999: 162). Unlike the ‘clientela’ contacts between interest groups and the state bureaucracy, ‘parentela’ relationships were forged between organised interests and the incumbent government. Hence, interest groups gained policy influence and access to state resources by attachment to the ruling party. Incumbent political parties acted as gatekeepers in overseeing the access of interest groups to decision-making, setting the agenda and deciding on priorities amongst varying demands (Morlino 2005). In converse, ‘clientela pluralism’ involved a state that lost its autonomy and was captured by business interests. This occurred if the relevant state agency was poor in resources and the sole objective of the state was the prosperity of the sector. Organised business provided resources whilst dominating the policy-making process, to the neglect of other organised interests (Pagoulatos 1999: 203, Atkinson and Coleman 1989: 55). Neither ‘parentela’ nor ‘clientela’ pluralism were appropriate in interpreting the relations between the state and the Greek shipowners. Although it cannot be denied that the Greek state was weak and penetrated by party politics, there was an absence of evidence indicating direct relationships between certain ocean-going and coastal shipowners with specific incumbent governments. National policies on both segments

of shipping were consistent and continuous for most of the post-war years and certainly during the post-authoritarian years. The succession of New Democracy and PASOK governments involved neither changes in national policies nor preferential treatment of certain shipowners. In the words of one commentator, shipping interests “...won many special considerations in Greece regardless of the government in power” (Legg 1969: 113).

The consistency of national shipping policies was demonstrated with the repatriation strategy of YEN involving Law 2687/1953 on invested capital from abroad, the tonnage tax system and the competitiveness of the flag. Legislative Decree 2687/1953 “on the investment protection of capital from abroad” included the vessels of expatriate Greek-owned shipping companies. It was stated that Greek registered vessels above 1,500 gross registered tons were considered to constitute capital from abroad (Law 2687/53). In essence the registration of a ship under the Greek flag was equivalent to investing with shipowners benefiting from the taxation and foreign exchange privileges afforded to foreign investors (Harlaftis 1993, Freris 1986). In addition, with Law 27/1975 the Greek government introduced a tonnage tax regime for Greek flagged vessels regardless of the nationality of the shipowners. Instead of on corporate earnings, taxes were calculated on the income from vessels taking into account vessel type, gross tonnage and age. In addition, taxes were not imposed on capital gains from the sale of vessels, whilst ships that were built and registered in Greece were exempt from taxation for a period of six years. Similarly, there was a reduction in taxes paid for vessels that were repaired in Greece and below the age of twenty years (Law 27/1975). However, as other EU member states adopted similar tax regimes, the competitive advantage of the Greek tonnage tax regime declined (Selkou

and Roe 2004).¹³ Hence, the option of undermining the repatriation objectives of the Greek government by re-flagging vessels became a growing source of influence for Greek ocean-going shipowners. The capital mobility of the Greek shipowners underpinned interpretations such as "...business power vis-à-vis the state has been exceptional" and "that shipping enjoys...unlimited access" to the Greek government (Pallis 2002: 183, Aspinwall 1995: 75, Ronit 1995: 188). Nonetheless, the Greek government and YEN retained autonomy as indicated in the deliberations on improving the competitiveness of the Greek flag and reforming the tonnage tax system. For several years the UGS and the GSCC sought from the Greek government the reduction of the tax rates and reform of the manning requirements with respect to Greek officers and seafarers (GSCC Annual Report 2004 – 05). It was argued that national crewing requirements were amongst the strictest in the EU as ocean-going vessels must be operated by Greek officers and a crew of at least sixty percent Greek nationals (Minutes of the Hellenic Parliament Sessions December 12 2005, *Naftemporiki* June 28, 2000, *Naftemporiki* February 7, 1997). At the same time, by maintaining considerable tonnage under the Greek flag, Greek shipowners were in a position to influence IMO negotiations on international safety and marine pollution prevention standards (Interview with Deputy Maritime Transport Attaché to the International Maritime Organisations April 2006). The sizeable fleet registered under the Greek flag corresponded to a place for Greece in the Executive Council of the IMO. Indeed, the GSCC maintained that Greece replaced the UK as leading country in the formulation of international maritime regulation at the IMO and the EU. Against the background of the decline of the UK fleet, it was maintained that the UK Department of Shipping and British shipowners lost their position of prominence in

¹³ Tonnage tax regimes were adopted by the following EU member states: Denmark (2002), Finland (2002), Germany (1999), Ireland (2001), Netherlands (1996), Spain (2003), UK (2001) see (Selkou and Roe 2004).

maritime transport policy formulation leaving behind a policy void (*Lloyd's List* November 30, 2004).

With respect to coastal shipping the continuity of policies was reflected in the system of licenses that prevailed for three decades. Under the cabotage regime, the domestic coastal transport shipowners were protected from international competition and offered subsidies for services for the provision of services on unprofitable routes and islands (Interview with Chief Executive of Interferry March 2006, Interview with Legal Advisor of Attica Group March 2006). The continuity beyond party politics was evinced during the EU negotiations on the liberalisation of the cabotage trades in the period between 1986 and 1992. In the 1990 national elections the socialist PASOK was replaced by New Democracy that supported liberalisation, deregulation and free competition. Nevertheless, at the EU level Greece remained opposed to the liberalisation of the domestic cabotage trades and fought vehemently for the preservation of the status quo. This can be partly attributed to the small majority the incumbent government held in the Hellenic Parliament, although both governments were in agreement on the regulatory framework on coastal shipping by not questioning the principles underlying the 'system of licenses'. Upon completing the EU negotiations, the derogation of eleven years was hailed as a success by the government and the coastal shipping associations.

Departing from pluralism, it was argued that state-business relations in Greece were characterised by state corporatism (Mavrogordatos 1998). Although the definition of corporatism was contested, the predominant designation referred to a small number of hierarchically structured interest groups that were engaged in non-competitive

relations and monopolised access to the government (Siaroff 1999, Schmitter 1997, Lijphart and Crepaz 1991, Wilson 1990, Cohen and Pavoncello 1987, Schmitter 1977). With reference to the negotiation of social pacts, it was maintained that peak associations commanding semi-public authority were involved in the decision-making whilst the state was an active participant steering negotiations and institutionalising interaction (Wilson 1990). The ideal-type of corporatism entailed “a system of interest intermediation in which the constituents parts were organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly in exchange for observing certain controls on their selection of leaders and articulation of demands and supports” (Schmitter 1977: 9). Within the context of state-shipping relations in Greece, a number of theoretical criticisms of corporatism were pertinent (Molina and Rhodes 2002, Cohen and Pavoncello 1987, Panitch 1980: 168 – 170). Firstly, the definition of corporatism offered by Schmitter (1979, 1977) implied the flow of power moving from the state to organized interests, with the state distributing influence through the process of granting representational monopoly. This denied the possibility of business associations maintaining autonomy by possessing independent organizational resources and legitimacy that were beyond the control of the state (Cohen and Pavoncello 1987: 119 – 121). Secondly, there were difficulties in the empirical application and operationalisation of the notion of corporatism. In ascertaining the corporatist nature of state-business relations, a distinction was drawn between associational and decision-making properties (Schmitter and Grote 1997). The associational properties encompassed monopoly of representation, hierarchical coordination across associations, formal recognition by the state, semi-public status

and involuntary membership. Accordingly, the decision-making characteristics entailed concertation, regular interaction, privileged or exclusive access, consultation prior to legislative deliberation and active consent. In interpreting state-business relations as corporatist, it was not required that all the properties were present (Schmitter and Grope 1997).

Despite the autonomy of shipowner associations, it was argued that the relations between the state and shipowners were characterised by state corporatism (Lavdas 2005, Lavdas and Lanza 2000, Lavdas 1997). Firstly, this was manifested in the monopolistic representation, hierarchical coordination and formal recognition by the state of the UGS as the representative of ocean-going shipowners and the EEA for coastal shipping. The GSCC articulated the interests of the Greek shipowners in London in close cooperation and consultation with the UGS which was the sole organisation representing shipowner interests in the annual negotiations on the national collective agreement with seafarers. Similarly, the EEA represented the interests of the domestic coastal shipowners and was again responsible for negotiating collective wage arrangements with the seafarers. The delineation of the mandates of the EEA and the EEEP were questioned only in the late 1990s because of internal divisions between the coastal shipowners with respect to the liberalisation of the domestic cabotage trades. Similarly, internal discipline was tight as indicated in the confrontation of the EEA with the Greek government in 2004 and 2005. The EEA decided that its members companies should not submit compulsory documentation in applying to operate vessels on specific routes. It was stated that any member company not adhering to this decision would be expelled from the EEA. Secondly, with respect to decision-making there was regular interaction, privileged access and consultation

prior to legislative deliberation between the Greek state and the shipowner associations. The UGS and the GSCC meet regularly with the Prime-minister, YEN Minister, YEN General Secretaries, representatives of other Ministries and MPs. Consultation on draft legislation was conducted informally and formally through the National Chamber of Shipping and the National Shipping Policy Council (Συμβούλιο Εθνικής Ναυτιλιακής Πολιτικής, NSPC). The NSCP possessed a broad mandate, bringing together the peak shipping associations and government representatives with the purpose of coordinating national shipping policy (Legislative Decree 3158/03).¹⁴ In addition to the HCS and the NSPC, the coastal shipowners interacted on a monthly basis with YEN through the CTAT that was replaced with the Council of Coastal Transport (CCT) in 2002. Furthermore, it was argued that the close ties between the shipping industry and YEN were reflected in the large number of YEN officers joining shipping companies upon their retirement. (Lafazanis MP Minutes of the Hellenic Parliament February 16, 2001).¹⁵ In spite of these state corporatist features, the locus of power was not heavily on the side of the state, as theorists of corporatism would anticipate. The peak associations of the ocean-going and coastal shipowners evolved in cooperation with the Greek state but also retained considerable autonomy. Alongside the strategic importance of shipping for the national economy, Greek shipowners, especially in the ocean-going segment maintained capital mobility. Indeed, in the words of one commentator, "...the fact that state corporatism was present in a sector marked by capital mobility indicates that this form of coercive

¹⁴ Although composition varies according to the topic of the meeting, representatives from the following bodies are entitled to attend: General Secretaries of YEN, representatives from the Hellenic Chamber of Shipping, the UGS, EEA, EEEP, EEMFP, Pan-Hellenic Seamen Federation (PNO), Hellenic Ports Association (ELIME), Members of the Hellenic Parliament and representatives from other Ministries and local authorities.

¹⁵ In one daily newspaper reportage it was revealed that YEN retirees had taken senior positions in the following institutions: Director of UGS, Director of EEA, Deputy Director of EEA, Director of EEEP, Director of the GSCC as well as managerial positions in a number of ocean-going and coastal shipping companies (*Eleftherotypia* December 11, 2004).

interest intermediation and policy-making was associated with business power and labour weakness rather than state domination of interest politics in general” (Lavdas 2005: 305, Lavdas and Lanza 2000, Lavdas 1997).

Thus, the relations between the state and business were characterized by ‘disjointed corporatism’ with different patterns of interaction developing across industry sectors. In the shipping sector, the relations between the state and shipowners took the form of state corporatism. However, the emergence of a state corporatist arrangement was attributed to the autonomy and influence of the shipowners rather than the state domination of the sector. Firstly, this was reflected in the monopolistic representation, hierarchical coordination and formal recognition by the state of shipowner associations. The UGS and the EEA were the primary representatives of the ocean-going and the coastal shipowners in articulating their interests and negotiating collective wage contracts with seafarers. Secondly, with respect to decision-making there was regular interaction, privileged access and consultation prior to legislative deliberation between the Greek state and the shipowner associations. The UGS, GSCC, EEA and the EEEP maintained informal and formal access to senior political figures and Ministry representatives, whilst their consultation on legislative measures was institutionalised through the National Shipping Policy Council, the Hellenic Chamber of Shipping and the Council of Coastal Transport.

Table 4: State – Shipowners interdependence

State Corporatism	Coastal Shipping	Ocean-going Shipping
State	Shipowners	
	<i>Regulatory Framework</i> -Licences -Routes -Fares -Subsidies	<i>Regulatory Framework</i> -Quality Ship Registry -Tonnage Tax Regime -Investment Legislation - International Representation: IMO, EU
	State	
Shipowners	<i>Coastal transport services</i> -Affordable -Reliable -Safe -Non-profitable routes	<i>Capital Mobility</i> -Open Registries -Relocation
	<i>Structural Power</i> -Employment -Investments	<i>Structural Power</i> -Employment -Balance of Payments -Investments

In deciphering the interdependence between YEN, ocean-going and coastal shipowners, attention was drawn to the regulatory framework, capital mobility and structural power. Coastal shipowners provided the transportation services that ensure the social cohesion and territorial integrity of the islands with the Greek mainland. Over the twentieth century, the provision of efficient coastal transport services across all the inhabited Greek islands was fraught with difficulties as evinced by the ‘catastrophic competition’ between shipowners, ‘predatory pricing’ against passengers and a number of maritime accidents. As a result, coastal shipping was organized as a cabotage trade, underpinned by the system of licenses that were allocated to coastal shipowners for specified routes and of indefinite duration. During a period of three decades, the coastal shipowners holding the licenses remained largely unchanged forging close ties with YEN. In parallel, due to the international nature of the

shipping industry, the Greek ocean-going shipowners maintained capital mobility with the option to re-flag their vessels away from the Greek registry and relocate operations to alternative international maritime centres. In tandem, Greek ocean-going shipping was a significant source of foreign exchange earnings, employment and investment. Unlike other industries that were embedded at the national level, the Greek state was at a disadvantage seeking to attract and sustain the presence of shipowners by offering a quality ship registry, favourable investment legislation and the tonnage tax system. At the same time, a sizeable operation of vessels under the Greek flag granted legitimacy to the Greek state as a major participant in international and European policy-making on maritime transport. Illustratively, the registration of tonnage under the Greek flag secured a place for Greece in the Executive Council of the IMO.

4.4 State corporatism, the Greek state and shipowners

Against the background of extensive state involvement in the economy, regime discontinuities in the history of Greek politics spawned differentiated patterns of interaction between the state and business interests across industry sectors. In recognizing overarching patterns of ‘disjointed corporatism’ this analysis concentrated on state-business relations at the sectoral level. The evidence suggests that the relations between the state and Greek shipowners were characterized by state corporatism. However, the development of this arrangement was attributed to the autonomy and influence of the shipowners rather than state domination of the sector.

The evidence demonstrates the state corporatist features of the relations between the

state and shipowners with respect to monopolistic representation, formal recognition of the associations, regular interaction, privileged access and consultation prior to the adoption of legislation. The UGS and the EEA emerged as the peak associations in the ocean-going and coastal shipping segments and were responsible for the negotiation of collective wage agreements with seafarers. In tandem, the GSCC articulated the interests of the Greek shipowners located in London whilst the EEEP and the EEMFP represented respectively passenger shipowners on international routes and shortsea cargo shipowners. These associations maintained informal and formal access to senior government figures, MPs and Ministry officials whilst their consultation on legislative measures was institutionalized through the National Shipping Policy Council, the Hellenic Chamber of Shipping and the Council of Coastal Transport. Moreover, acknowledging the significance of shipping for the Greek economy, YEN was established as a Ministry devoted to maritime transport affairs. Departing from the composition and operation of other civilian Ministries, YEN was intertwined with the Hellenic Coast Guard. Alongside policing functions, HCG officers were involved in the formulation of maritime transport policy, labour issues, maritime education and the representation of Greece in international fora such as the IMO and the EU.

National policies on maritime transport were consistent and continuous, irrespective of party politics and the succession of governments in the post-authoritarian years. PASOK and New Democracy when in power or as opposition parties shared the same principles and approach to shipping policy, pursuing on the one hand, the repatriation of Greek shipowners and the promotion of the competitiveness of the Greek flag and on the other hand, the preservation of the cabotage trades and the system of licenses.

It could be argued that the prevalence of the HCG within YEN may have insulated this institution from party politics. This was compounded by the close ties between YEN personnel and the shipping industry, with many HCG officers joining upon retirement shipping companies. Indeed, it was theorized that the institutionalisation of direct relations between the state and business interests involved the displacement of political parties (Golden 1986: 281). However, a closer examination of the employment, evaluation and promotion practices of HCG officers demonstrated the penetration of party politics. Nonetheless, in analyzing the continuity of national policies, attention was drawn to the capital mobility and structural power of the Greek shipowners. On the one hand, the provision of coastal shipping was integral to the social cohesion and territorial integrity of the islands with the Greek mainland, transporting the largest number of passengers in the EU for 2004 (*ESPO National Statistics* 2004). The autonomy of the coastal shipowner associations was underpinned by the system of licenses that were allocated to shipowners for specified routes and of indefinite duration. Over a period of three decades, the coastal shipowners holding the licenses remained largely unchanged fostering close ties with YEN and the incumbent governments. On the one hand, the member companies of the UGS the GSCC controlled a significant share of the Greek-owned fleet that accounted for 17.1 percent of world tonnage (dwt), generating 4.8 percent of Greece's GDP. The strategic importance of merchant shipping for the Greek economy combined with the capacity of Greek shipowners for capital mobility, underpinned the influential position and autonomy of their associations. Greek ocean-going shipowners maintained capital mobility with the option to re-flag their vessels away from the Greek registry and relocate operations to alternative international maritime centres. As a result, the state corporatist arrangement that emerged in the shipping industry

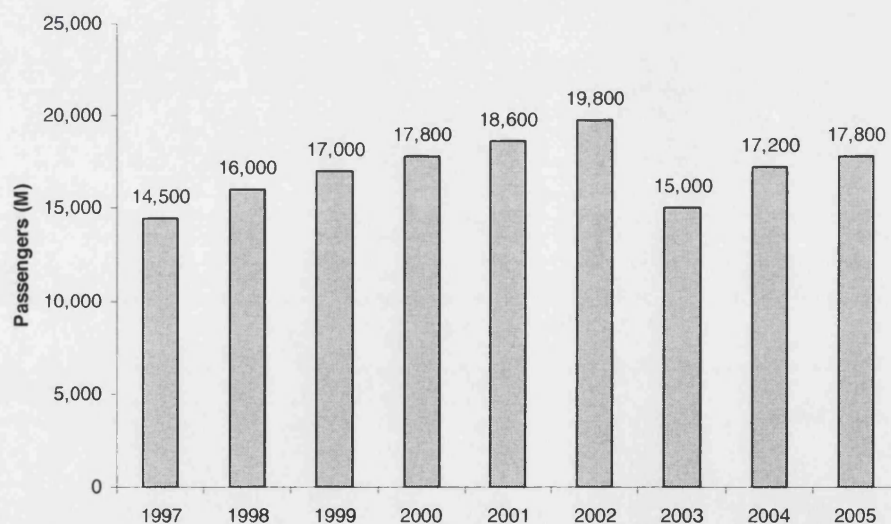
was not characterised by state domination as the theorists of corporatism would anticipate. Rather, this arrangement was shaped by the autonomy and structural power of the Greek shipowners.

Chapter 5

Chapter 5: The liberalisation of the Greek coastal shipping market

Fourteen percent of the Greek population resides in 124 out of the 3,500 islands surrounding the mainland. Greek coastal shipping is amongst the largest in the EU with numerous ferries connecting the economies of the islands and the mainland. The coastal transportation network is complex with thirty-one coastal routes connecting ninety-six island ports with forty-two ports on the mainland (Institute of Local Administration 2006). In 2005 an estimated 17.8 million people were transported through Greek ports, the largest number in the EU (National Statistical Service of Greece 2006, XRTC Annual Ferry Report 2007).

Figure 2: Greek Ferry Passenger Traffic (1997 – 2005)

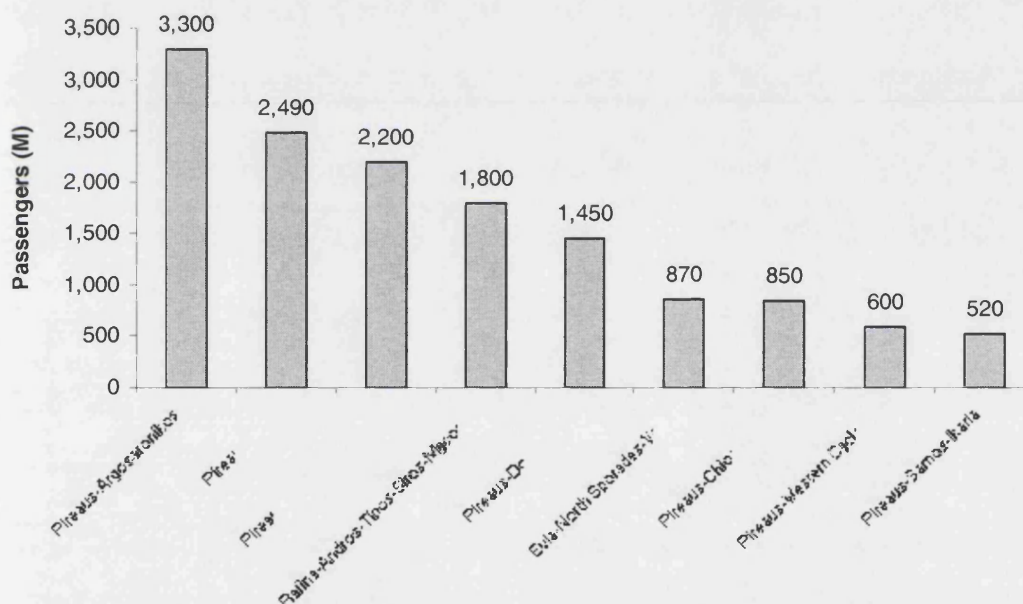


Source: National Statistical Service of Greece 2006, XRTC Annual Ferry Report 2007

However, there are considerable disparities in demand for routes with the ports of Piraeus, Crete, the Cyclades and the Dodecanese representing a disproportionate share

of total traffic. Over the years, a two-tier market has developed separating the islands and lucrative routes that attract the interest of coastal companies and the islands that are partially or completely unprofitable. For 2005 the largest passenger traffic was on the Pireaus-Argosaronikos route (3.3 million), followed by the Pireaus-Crete route (2.5 million) and the Eastern Cyclades route (2.2 million) encompassing the islands of Siros, Tinos, Mykonos, Paros and Naxos. Illustratively, the routes representing the largest passenger traffic for 2005 are presented in the graph below:

Figure 3: Greek Ferry Passenger Traffic per route (2005)



Source: National Statistical Service of Greece 2006, XRTC Annual Ferry Report 2007

For most of the past decades, coastal shipping was a cabotage trade, reserving its provision solely to passenger ferries with a Greek flag. Central to the institutional configuration for almost three decades was the 'system of licences', affording the Ministry of Mercantile Marine (YEN) substantial discretion in issuing licenses to coastal shipowners for specified routes and of indefinite duration. The position of the incumbent coastal shipowners was solidified as the arrangement entailed high

institutional barriers to market entry and stifled competition. The relationship between the Greek state and the coastal shipowners was characterised by state corporatism (Mavrogordatos 1998, Schmitter and Grote 1997, Lavdas 1997, Schmitter 1979). This was manifested in the monopolistic representation and formal recognition of the Union of Coastal Shipowners (EEA) and the Greek Shipowners Association for Passengers Ships (EEEP). In tandem, there was regular interaction, privileged access and consultation on legislation was institutionalised through the Coastal Transport Advisory Committee, Hellenic Chamber of Shipping and National Shipping Policy Council. Moreover, the island communities constituted an influential factual veto point to reforms as their participation in coastal shipping policy-making was not institutionalised. This state corporatist arrangement spawned a coastal shipping market that involved old passenger ferries, haphazard services and a poor safety record (Lekakou 2001, Panagopoulos 2000, Alexandratos 2000, Psaraftis 1998, Psaraftis 1996).

In the mid-1980s as part of the broader project on the completion of a single market, the European Commission proposed the abolition of cabotage trades. In the ensuing negotiations the formal and factual veto points of YEN, the coastal shipowners, island communities and the trade unions opposed reform. Although the opening of the domestic coastal market was eventually encapsulated in Regulation 3577/92, a derogation period of eleven years was recognised in the case of Greece. In the ensuing years and beyond the formal deadline of January 2004, the terms of liberalisation were negotiated by the Greek government, the coastal shipowners, the European Commission and the island communities. The purpose of this chapter is to analyse the domestic impact of the Europeanisation of coastal shipping on the state corporatist configuration between the Greek state and the coastal shipowners.

The chapter begins by outlining the development of coastal shipping in Greece during the post-war years. This sets the historical background for an appreciation of the concerns for ‘destructive competition’ and ‘predatory pricing’ that underpinned the regulatory framework that prevailed for three decades until the late 1990s. From 1975 YEN held a central position in this arrangement by overseeing and regulating the provision of licences to private operators. Subsequently, the growing regulatory presence of the EU is presented in seeking the abolition of cabotage trades. This leads on to a detailed account of the market changes that ensued in the form of industry consolidation, corporate restructuring and fleet modernisation. In turn, market transition had political implications altering the internal composition of industry associations and reconfiguring the constellation of veto points. Nevertheless, the incumbent Greek government was unwilling to proceed with the reform of the regulatory framework ahead of the completion of the derogation period. The maritime accident of the *Express Samina* served as a catalyst for the reform process initiated by the European Commission. Yet, despite the completion of the derogation period, the terms of liberalisation remain under negotiation between the coastal shipowners, the Greek government, the European Commission and local island communities.

5.1 From the Post War years to 2001

5.1.1 The immediate Post War Years

In the post-war years the coastal shipping industry was characterised by the extensive regulatory presence of the state. In October 1945 the government formed a Committee of Experts to discuss alternatives for the provision of coastal shipping services, ensuring the provision of sea transport services to the disparate island communities

(Lekakou and Fafaliou 2003, Lekakou 2001, Lekakou, Papandreou and Stergiopoulos 2002, Sturney, Panagakos and Psaraftis 1994). The proposed schemes encompassed state ownership and operation of coastal vessels, state regulation and private ownership under conditions of market competition and a state organised private monopoly (Lekakou 2001). In 1946 the shipowner Aristotle Onassis argued that the provision of coastal transport services was a natural monopoly. A framework was put forward whereby domestic sea and air transport was operated as a monopoly. Central to this arrangement was a limited company with private equity equalling the value of eight coastal vessels and three aircraft that would be granted tax exemptions and privileges (Lekakou 2004, Lekakou 2001). The proposed scheme was not accepted by the Committee of Experts citing the inadequate number of coastal vessels and the unfavourable fares for passengers and shippers.

The Greek government established a regulatory framework resting on the provision of coastal transport services by the shipowners that operated the domestic routes before the Second World War (Lekakou 2001). Firstly, the design of the coastal shipping network was centralised with the port of Piraeus directly linked to all major destinations. This was a departure from the preceding decentralised system with large island ports serving as regional centres. Secondly, passenger vessels under state control were sold to the Union of Coastal Enterprises (Ενωση Ακτοπλοϊκών Επιχειρήσεων, EAKTE). Thirdly, exemptions and prerogatives were granted to the coastal shipowners. These included the donation of three cargo ships, waiving tariffs on the importation of fuel and favourable crew requirements. In 1950 four ships were delivered from Italian shipyards as part of Second World War rectification. From these vessels (*Miaoulis*, *Kanaris*, *Karaiskakis* and *Kolokotronis*) three were bought by

the Nomikos family (Thiraiki Coastal Shipping) and one by the Potamianos family (Epirotiki Line) under favourable terms and payment facilitations. During this period, the Potamianos family were prominent in coastal shipping with Anastasios Potamianos heading the Greek Shipowners Association for Passengers Ships (EEEEP) which was the principal industry association. The Potamianos family remained protagonists in coastal shipping throughout the post-war years (Interview with Shipowner, March 2006). In total the main domestic routes were serviced by seventeen shipowning companies operating thirty vessels (Lekakou 2001).

Nevertheless, over the 1950s a persistent problem was the shortage of vessels in servicing the islands (Lekakou, Papandreou and Stergiopoulos 2002). This was compounded by the development of the Greek islands as a tourist destination. The numerical shortage was accompanied by poor safety standards and the obsolete technical characteristics of the passenger ships plying the routes. There were thirty-five vessels active in coastal shipping but these were deemed insufficient in covering passenger demand for island transportation. In tandem, coastal shipping was fragmented into a number of small businesses that were unable to provide the required level of services. With the intention of improving the quality of services, the Committee of the Ministries of Coordination and Merchant Marine proposed a package of measures in 1959, involving the provision of state loans with favourable conditions for the purchase of passenger ships, the regulation of market entry by state authorities and the arrangement of five-year contracts for coastal shipowners servicing unprofitable routes ('thin lines') (OECD 2000: 31, Sturme, Panagakos and Psaraftis 1994).¹⁶ Although most of these proposals were not materialised with market entry

¹⁶ Exact translation would be 'infertile lines': *άγονες γραμμές*.

remaining open to competition, the provision of island transportation continued to be haphazard and inefficient. By the mid-1960s the main domestic lines were serviced by forty-one passenger ships owned and operated by sixteen shipping companies.¹⁷ Thus, over the first two decades following the Second World War, coastal shipping was provided by shipowners who owned and operated the passenger vessels. Although the regulatory role of the state was extensive, market entry and exit were not restricted. Nonetheless, alongside the difficulties in addressing transport demand, especially on less profitable routes, the services were poor and passenger safety was low (Lekakou 2001, Psaraftis 1998, Psaraftis 1996).

5.1.2 The *Heraklion* accident

On the eighth of December 1966 the passenger vessel *Heraklion* capsized near the island of Falkonera in the Cretan Sea on its overnight voyage from Crete to Piraeus. From the 281 passengers and crew on board, only 47 survived. The vessel was owned and operated by Typaldos Lines, the family company of the Typaldos brothers and a major provider of coastal shipping services. The accident generated public uproar and considerable controversy in identifying the causation. It was recognised that as the vessel sailed through heavy seas, a vehicle in the car deck broke loose and smashed through the loading hatch (Efoplistis 2005, *Focus on IMO* 1997). This was attributed to poor safety measures and construction weaknesses of the passenger ship. In addition, it was subsequently revealed that the seaworthiness certificates of the *Heraklion* were counterfeit. In March 1968 the Criminal Court issued sentences of five to seven years imprisonment to the owner, the director of Typaldos Lines and two

¹⁷ In 1963 the Greek Organisation of Tourism (EOT) ordered another three passenger/vehicle vessels from Italian shipyards as part of the Italian World War II Rectification.

officers who were onboard the vessel (*To Vima* March 22, 1968). Notwithstanding the ensuing bankruptcy of Typaldos Lines, the Heraklion accident had extensive repercussions on the market structure and regulatory framework of coastal shipping.

Alongside the introduction of stringent legislation, a new type of company emerged in the form of the ‘people-based’ coastal shipping company (Εταιρείες λαϊκής βάσης) (Psaraftis 2005, Lekakou and Fafaliou 2003, Lekakou 2001).¹⁸ The market structure was altered with the establishment of people-based shipping companies by the island communities of the Aegean. The emerging consensus was that as coastal shipping primarily serviced the transport needs of island residents, coastal companies should be owned and operated by the island communities. Hence, island communities would be in a position to provide safe, reliable and affordable coastal transport services and reduce their reliance on the central government and private companies that did not maintain any local affiliation. By contrast, the people-based companies retained strong local and regional ties, sourcing financial and human resources based on ‘ascribed trust’ (Harlaftis 2004: 229). A multiplicity of local organisations and individuals, encompassing local politicians, officials, the church, Chambers of Commerce, trade associations, entrepreneurs and residents pooled their resources in founding coastal shipping companies and purchasing vessels. This form of corporate structure was initiated at the city of Chania on the island of Crete. In April 1967 ANEK (Maritime Company of Crete Ltd) was established as a joint stock company with the prime objective of offering safe transportation for Cretans between their island and Piraeus (Fairplay July 2004). ANEK became the pioneer of the people-based shipping company and in September 1970 began operating the passenger vessel

¹⁸ Notably this resulted in the policy on banning sailings in case of adverse weather conditions. In accordance with Beaufort scale the Hellenic Coast Guard may prohibit the sailing of vessels.

Kydon on the Piraeus-Chania route (Kumelis 2000, Tsamopoulos 2000). Aside from the sale of stocks to island residents, the Cretan character of the company was institutionalised in the composition of the Executive Board. According to the company's charter, from the fifteen members of the Executive Board four positions corresponded to the Bishop of Kissamou and Selinou (President), the elected Mayors of Chania and Rethimno and a member of the Association of Certified Economists of Chania.

Due to its initial success, the ANEK corporate model was replicated across the other major islands of the Aegean. Yet, the transition to people-based companies was accelerated by another accident in the early 1970s when a fire onboard the vessel *Eleana* spawned the demise of its owner, the Efthimiadis Company. Subsequently, in 1974 one of the vessels of the Efthimiadis Company was purchased by Minoan Lines, a newly established people-based shipping company located at Heraklion, the capital of Crete. Likewise, emulating the corporate structure of ANEK a number of islands established people-based coastal shipping companies including Lesvos, Naxos, Samos, Chios, the Dodecanese, Simi, Rethymno and Lathisi. Notable amongst these companies were the Maritime Company of Lesvos (NEL) and the Dodecanese Maritime Company (DANE) which were to become leading providers of coastal shipping services in the following three decades. In subsequent years there were several similar initiatives, yet not all were commercially viable. Indeed, in the period from 1975 to 1985 the islands of Chios, Cephalonia, Samos, Naxos and Ikaria were involved in the formation of people-based coastal companies that were eventually abandoned (Lekakou 2001). Overall the large islands were able to maintain people-

based shipping companies that in addition to providing a safe and reliable service to island residents gradually became profitable.

Nevertheless, the increasing number of operators entering the coastal shipping market was accompanied by the adverse implication of 'destructive competition'. In response the government adopted in 1976 a licensing system for incumbent and prospective coastal shipowners. Central to this system was the local element as each company had carved out its own monopoly. The majority of the companies operating vessels were of limited size, lacking the financial capacity and competition incentives to add newbuildings with modern technical features. The companies specialised in specific routes in correspondence to their affiliation to particular islands (Harlaftis 2004: 232, Lekakou 1996). More specifically, ANEK Lines and Minoan Lines held the licences for the Cretan routes, especially the lucrative routes to the ports of Chania and Heraklion. Similar arrangements emerged across the Aegean with Agapitos Lines servicing the Cycladic islands, Agoudimos Lines the Dodecanese and Strintzis Lines Cephalonia in the Ionian Sea. The Rhodes-based company DANE operated in the Dodecanese, Cyclades and on routes towards the port of Thessaloniki. In the Northern Aegean NEL serviced almost exclusively the islands of Mytilini and Chios. In addition, several small family companies operated on less profitable itineraries including Mouloupoulos, Moiras, Lazopoulos, Stathakis, Tyrogalas, Kavounides, and Frangoudakis.

Therefore, the regulatory framework that was developed in the immediate post-war years spawned haphazard coastal shipping services, characterised by poor safety records. This culminated in the *Heraklion* accident that instigated the emergence of

the ‘people-based’ coastal shipping company. This company model spread across the Aegean as island communities pooled resources in founding coastal shipping companies that would service their particular needs. Notably these companies maintained a strong affiliation with the island communities. By the 1980s the people-based shipping companies were in a strong position, especially those servicing lucrative routes. In carving out their local monopolies these companies were at an advantage in comparison to private operators. Moreover, the regulatory framework adopted in 1976 institutionalised the position of these companies through the distribution of licenses to coastal operators.

5.1.3 The Regulatory framework

Over the entire post-authoritarian period and until 2001 the coastal shipping sector was extensively regulated by the Ministry of Mercantile Marine (YEN) (Interview of Director of Hellenic Chamber of Shipping May 2006, Interview with Legal Advisor of Attica Group March 2006, Interview with Director of Hellenic Institute of Transport March 2006). Although coastal ferries were owned and operated by the private sector, the parameters of the market were determined by the state. The principles underlying the provision of coastal shipping services were the prevention of ‘destructive competition’ between coastal shipowners, the protection of passengers from ‘predatory pricing’ and the provision of regular, safe and affordable sea transport to the inhabited islands. The regulatory regime was a patchwork of legislative measures that were adopted at various historical junctions. In the aftermath of the *Heraklion* maritime accident, there was considerable social mobilization demanding the reform of the regulatory framework with its origins in pre-war legislation

(Lekakou 2001, Goulielmos and Lekakou 1992). As a result, in 1973 the Code for Public Maritime law was endorsed containing a chapter on coastal shipping. The Code entailed a comprehensive approach to coastal shipping incorporating the flag and privileges of Greek vessels, types of vessels, routes, crewing, price determination and the obligations of travel agents. It was stipulated that the maximum age for vessels in operation was 35 years and the vessels exceeding this limited would be withdrawn from operation. Most importantly, coastal shipping which was defined as the transport of passengers and cargo between Greek ports was recognised as a cabotage trade and was reserved solely for vessels carrying the Greek flag (Article 11 of the Code for Maritime Public Law). Subsequently, for the approval of the registration it was required that the vessels were recognised as Greek, whereby they were at least fifty percent owned either by Greek nationals or a Greek legal entity of which fifty per cent of its equity was owned by Greek nationals (Article 5 of the Code for Maritime Public Law).

Nevertheless, the haphazard and problematic supply of coastal transport between the islands persisted and with the fall of the dictatorship, Presidential Decree 684 of 1976 was adopted to prevent ‘catastrophic competition’ between the coastal shipowners. The Decree was of paramount importance as it stipulated the issuance of licences per vessel in allocating routes between coastal shipowners. This measure was interpreted as an institutional obstacle to the entry of new coastal shipowners, sheltering incumbent shipowners from market competition (OECD 2000, Goulielmos and Lekakou 1993). Indeed, over the years there were many instances of licence applications that were rejected by YEN (Minutes of the Hellenic Parliament Session June 13 2001). Central to the system of licences was YEN which was granted

considerable discretionary power in regulating the coastal industry (Giannopoulos and Aifandopoulou-Klimis 2004, Selkou and Roe 2004, Athinaios 2002, OECD 2000, Psaraftis 1998, Psaraftis 1996). More specifically, YEN regulated market entry, issuance of operational licenses, setting the fares, crew composition, imposition of public service obligations, enforcement of licence terms, certification and inspection of operational and environmental safety. Indeed, certain sections of the legislation dated back to 1926 specifying the number of cooks and stewards, the prices of on board meals as well as the concessions to a variety of social groups such as Members of Parliament, journalists, students, actors, military personnel and the elderly (OECD 2000, Psaraftis 1996).

The Minister was aided by an advisory body, the Coastal Transport Advisory Committee (*Γνωμοδοτική Επιτροπή Ακτοπλοϊκών Συγκοινωνιών* CTAC) that advised on all aspects of the coastal industry (Steer Davies Gleave 2005, OECD 2000: 28, Sturmey, Panagakos and Psaraftis 1994: 3). Although the CTAC was designed to offer non-binding recommendations, its opinions on licences and prices were almost without exemption accepted by the Minister (OECD 2000: 28). Prior to the reform of the CTAC in 2000, the weighting of the criteria for licensing was not transparent. Six of the twelve members of the CTAC were government officials or appointed by the Minister. The remaining six were split amongst four representatives of coastal shipping, a representative of the Piraeus Chamber of Commerce and Industry and one representative from the National Tourist Organisation as an articulator of consumers' interests.

The YEN Minister issued a license corresponding to a specific vessel for a specified itinerary. The licenses had indefinite duration, as the intention was to assign a vessel to a route for the entirety of its economic life (OECD 2000: 29, Alexandratos 2000,

Psaraftis 1996). Complying with the age limit of the Code for Maritime Public Law, a passenger ship entering a route could not exceed 20 years and as long as the terms were respected could continue plying its trade until the threshold of 35 years. In submitting an application for a license, technical information on the vessel was required, including displacement dimensions, carrying capacity of vehicles and passengers and service speed. In addition, a feasibility study was mandatory with data on operating costs, transportation flows on the requested route, port capacity as evidence of commercial viability of the application. Further, it was required that the crew of Greek nationals was employed and on the payroll throughout the year, whether the vessel was operating or idle, and regardless of the seasonal variation in traffic. It was stipulated that the passenger ships remained idle for sixty to ninety days annually for dry docking, maintenance, repairs, surveys, and inspection. Fares charged complied with the levels set by YEN. Furthermore, vessels were required to transport mail free of charge and were available for requisition by the Greek state for reasons of national security.

In allocating licenses a persistent problem was the provision of coastal services on routes that were not commercially viable. The provision of services for unprofitable routes was regulated by the Code for Maritime Public Law and a series of Ministerial decisions of which the most significant was the YEN decision on the 'general terms for conducting competitions to service main thin and thin tourist routes' (YEN Decision, No. 90062/090279). Within this framework there were two categories of unprofitable islands. The first category consisted of the 'public service islands' that were serviced as intermediate stops in a licensed itinerary to or from a mainland port, as a condition of the license. In essence the services to these islands were cross-subsidized

by other passengers. The second category was serviced by 'unprofitable routes' comprising primarily inter-island routes. The routes were defined by joint Ministerial decrees (YEN, Ministry of Finance and Ministry of Development) and issued on request or proposal by the local authorities or other interested parties and upon advice from the CTAC. The definition of a route as unprofitable was placed under review every five years. Yet, the provision of the service was allocated annually by tender with companies competing for minimum subsidy. The exact amount of the subsidy was subject to considerable negotiation (Steer Davies Gleave 2005, Sturmeý, Panagakos and Psaraftis 1994: 4).

The regulation of voyage fares became a subject of Greek legislation since 1926. The purpose of the legislators was to prevent the 'predatory pricing' by coastal shipowners as had happened in the early 1920s. The intention of the legislator was to protect the passengers as well as the shipowners from ruinous competition. Laws dating from the 1930s stipulated that the maximum and minimum fares imposed on passengers and shippers were proposed by the CTAC and approved of the YEN Minister (Law 5304/140132). This system was substituted by the imposition of a specific fee, whereby the fees for main and secondary routes were determined by decision of Minister, whilst fees on local routes were determined by the respective Port Authority and approval of the Minister (Article 178 in Code of Public Maritime Law). Resting on the respective YEN Decision, the shipowners were entitled to discount the fares by twenty percent on passenger ships (YEN Decision, No. 100558/10903). Subsequent YEN Decisions authorised lower fees for special social groups. Indicatively, these groups encompassed MPs, journalists, students, soldiers, merchant navy veterans, members of athletic organisations, actors and prison wardens. However, differentiation of fares in accordance

with differences in the quality of services was not stipulated in the respective legislation (Psaraftis 1998).

Thus, the regulatory framework underlying the provision of coastal shipping services sought to prevent 'destructive competition' between coastal shipowners, protect passengers from 'predatory pricing' and ensure the territorial integrity of the inhabited islands with the Greek mainland. The framework that emerged in the post-authoritarian years afforded YEN considerable discretion in circumscribing the parameters of the coastal shipping market. This was reflected in the 'system of licenses' whereby resting on the advice of CTAC, the YEN Minister decided on the allocation of operational licenses to coastal shipowners. Licenses were issued for specific passenger ships, usually for the entire economic life of the vessel. The approval process was opaque primarily involving YEN and the representatives of the coastal shipowners. Apart from the fulfilment of economic and technical criteria, the decisions on issuing licences were not transparent and tended to favour the incumbent shipowners whose position remained insulated from market competition. Alongside family-owned companies, these licenses were held by the people-based companies that carved out their local monopolies. The primary shortcoming of the regulatory framework was the persisting difficulties in servicing unprofitable routes and islands. Despite the long duration of the licenses and the subsidisation of the services, coastal transportation to these islands remained haphazard.

5.2 Negotiating the EU Maritime Cabotage trades (1986 – 1992)

Against this background and within a few years of the accession of Greece to the European Community (EC), the European Commission made proposals for the completion of the single market in maritime transport. With the objectives of preparing for the single market, establishing countermeasures against the protectionist policies of third countries and enhancing the competitiveness of the EC merchant fleet, the European Commission proposed a package of measures in 1985 (CEC COM 90/85). The completion of the single market in maritime transport services was a mixture of internal and external measures. A central feature of the proposals was the abolition of the cabotage trades across the EU member states. This was opposed by the Greek government and the coastal shipowners that favoured the preservation of the regulatory status quo (Interview with Shortsea Shipping Advisor to the Mediterranean Cargo Vessels Shipowners Union March 2006, Interview with Legal Advisor to Attica Group March 2006).

In March 1985, the European Commission released the Communication on the “Progress towards a Common Transport Policy” (CEC COM 90/85). The usage of open registries and the adoption of protectionist policies by third countries were recognized as significant challenges to the competitiveness of the EC merchant fleet. In response, the European Commission proposed that the completion of the EC internal market would allow for countermeasures against the discriminatory policies of third countries. Specifically, six Directives and Regulations were presented concerning the free provision of services, the application of competitive rules and

retaliatory measures against restricted access to cargoes and unfair pricing by third countries (CEC COM 90/85). Subsequently, in 1986 the Council adopted the first maritime transport policy package consisting of four Regulations. Council Regulation 4056/86 laid down the rules for the application of competition rules to maritime transport, whilst Council Regulations 4057/86 and 4058/86 were respectively concerned with unfair pricing and restrictions by third countries to the free access to ocean trades. Council Regulation 4055/86 applied the principle of freedom to “member state nationals (and non-Community shipping companies using ships registered in a Member State and controlled by Member State nationals) the right to carry passengers or goods by sea between any port of a Member State and any port or off-shore installation of another Member State or of a non-Community country”. However, the cabotage trades involving the reservation of coastal shipping for the national flag were exempt. Hence, EC shipping companies were not granted access to the coastal transport trades between the domestic ports of member states (Selkou and Roe 2004, Pallis 2002, Aspinwall 1995, Kiriazidis 1994, Bredima-Savopoulou and Tzoannos 1990).

The liberalisation of the EU cabotage trades juxtaposed the Northern member states that favoured market competition and the opening of the cabotage trades against the Southern member states that supported the reservation of coastal shipping routes for domestic companies (Interview with Director of Hellenic Chamber of Shipping Ma 2006, Interview with Director of Danish Shipowners Association March 2006, Aspinwall 1995, Bredima-Savopoulou and Tzoannos 1990). Greece had aligned its position with the Southern member states seeking the preservation of the domestic cabotage. It was maintained that Greek was in favour of completing the internal

market as long as the island cabotage trades were not reformed. Similarly, the Greek coastal shipowners were vehemently opposed to the reform of the regulatory framework and increased exposure to foreign and domestic competition. This position was reiterated by the industry associations of the shipowners, the Union of Coastal Shipowners (EEA) and the Greek Shipowners Association for Passenger Ships (EEEP). It was advanced that the coastal shipowners required several years in preparing for heightening of competition that the abolition of the cabotage trades entailed. In conjunction, there was apprehension that larger coastal companies from the Northern EU member states would be entering the domestic Greek market. These companies possessed more resources and were experienced in the operation of passenger vessels in a competitive market environment (Interview with Chief Executive Officer of Interferry March 2006). Moreover, it was argued that foreign competitors would offer lower fares on the lucrative routes by making use of second registries that would reduce labour costs (Aspinwall 1995: 75). Similarly, the seafarer unions were opposed to reform and according to the Pan-Hellenic Seamen's Federation (PNO) half of its active membership was employed in cabotage trades (*Lloyd's List* January 15, 1998). However, there were a handful of shipowners in favour of the deregulation of the market with the owner of Strintzis Lines, Gerasimos Strintzis being the most vocal. This divergence in approaches was manifested in the internal meetings of the EEA with Strintzis advocating the benefits of the abolition of the cabotage trades. Likewise, the Mediterranean Cargo Vessels Shipowners Union (EEMFP) representing Greek shortsea cargo shipowners supported reform as it would allow access to the Italian and Spanish cargo trades. Indeed, amongst the founding principles of the EEMFP were the promotion of short sea shipping and the safeguarding of free and fair competition (Interview with Shortsea Shipping Advisor

to the Mediterranean Cargo Vessels Shipowners Union March 2006). Moreover, the Union of Greek Shipowners (UGS) was in favour of the abolition of the domestic cabotage trades (Interview with Shipowner March 2006). However, as the UGS represented the interests of ocean-going shipowners, the abolition of the cabotage trades was of low salience and there was an absence of mobilization at the national and European levels. As a result of the consultations between YEN and the coastal shipowners, the Greek government sided with the status-quo proponents and opposed the abolition of the cabotage trades at the EU level. The primary argument articulated by the Greek government was that archipelagic morphology of the Greek islands rendered coastal transportation into an indispensable service in ensuring the social cohesion and territorial integrity of the islands with the mainland. This was safeguarded by the extensive regulatory role of the YEN and the 'system of licenses', securing coastal transportation for all the inhabited islands irrespective of commercial criteria (Minutes of the Hellenic Parliament Sessions November 2 2000).

The discrepancy between the approaches of the Northern and Southern EC member states brought the negotiations on the abolition of the cabotage trades to an impasse. The European Commission put forward several formulae in seeking to overcome the stalemate and most notably a second package of proposals in August 1989 (CEC COM 921/89 and CEC COM 266/89). The proposals concentrated on broader issues affecting the shipping industry and especially the declining competitiveness of the EC fleet. The package involved measures on improving the operating conditions for Community shipping as well as fiscal and financial benefits for shipping companies that maintained their vessels in EC member ship registries. Pivotal to the package was the establishment of the Euros EC Ship Registry that would complement the ship

registries of the member states (Interview with former Managing Director of European Maritime Cooperation Agency March 2006). As the substitution of national flags was unfeasible it was proposed that the Euros would supplement existing national registers (European Parliament Report A5-0413 November 2003). It was proposed that only vessels featuring on this supplementary register would gain access to the EC cabotage trades (Aspinwall 1995: 145). In addition, the package was designed to harmonise the interests of shipowners and seafarers, as the protection of employment was not emphasised in the 1985 proposals. Hence, all the officers and half of the seafarers manning Euros registered vessels were required to be EC nationals. Anticipating the objections of shipowners to the higher operational costs, fiscal and financial incentives were attached to the common register and Euros-registered vessels would be favoured in the carriage of EC food aid. Hence, state aid was on offer in exchange for accepting a number of obligations with respect to manning with Community nationals. Further, vessels flying the EC flag "...would be a powerful reminder of the Community presence in global trade and a symbol of the Community as a single trading entity" (Stevens 2004: 131).

Despite the attempts of the European Commission, the Greek state and the coastal shipowners were resolute in their resistance to the abolition of the cabotage trades. Nevertheless, the EEA and the EEEP were not engaging directly with the European Commission in seeking to influence the policy-making process. There was limited evidence of interaction between the Greek coastal shipowner association and similar organisations in other Southern EC member states. Likewise, with the exception of the international shipowner association Interferry, there was an absence of institutional forms for the voicing of the coastal shipowner positions at the EU level

(Interview with Chief Executive Officer of Interferry March 2006). The primary shipowner association with respect to EC policy-making was the European Community Shipowners Associations (ECSA). Nevertheless, ECSA concentrated on issues concerning the ocean-going shipowners and liner shipping (Interview with Executive Advisor of European Community Shipowners Associations March 2006). In the same vein, although the UGS was in favour of competition in international shipping, it articulated its opposition with respect to the single EC Registry which was perceived as unworkable (Interview with Member of the Greek Shipping Cooperation Committee Council March 2006). In aligning its position with the coastal shipowners the Greek government continued to oppose any change to the domestic status-quo. However, the intention of the European Commission to safeguard the employment of European seafarers began to sway the trade unions, including organisations representing Greek employees in the merchant marine. Despite internal disagreements between sectoral organisations within the Pan-Hellenic Seamen's Federation (PNO), the seafarers joined the EEA and the EEEP in opposing the abolition of the domestic cabotage trades (General Confederation of Greek Labour 1998).

The Greek government in coordination with the Southern European member states postponed the adoption of a decision for over three years following the 1989 European Commission package of proposals. Greece was supported by the governments of France, Italy, Spain and Portugal that maintained similar protectionist measures (Aspinwall 1995: 146, Ronit 1995, Kiriazidis 1994). In March and then again in December 1991 the European Commission submitted a second and third version of the proposed Regulation (CEC COM 91/54 and CEC COM 91/483). Subsequently, resting on a German-Dutch paper and after arduous negotiations the

European Commission proposed a revised approach that was able to win a majority within the Council of Ministers. This led to the adoption of Council Regulation 3577/92 applying the principle of freedom to provide services to maritime transport within member states. Article 1 of the Regulation stipulated the freedom to provide maritime transportation services within the EC single market to all ships flying the flag of any EC member state commencing from January 1, 1993. However, a set of derogations were adopted for the coastal trades of Greece, France Spain and Portugal. In the case of Greece there was temporary exemption from the Regulation until 1 January 1999, for cruise ships and vehicle ferries over 650 gross tons sailing between mainland ports. Most importantly, Article 7, paragraph 3 stated that “for reasons of socio-economic cohesion, the derogation ... shall be extended for Greece until 1 January 2004 for regular passenger and ferry services and services provided by vessels over 650 gross tons” (Council Regulation 3577/92). Subsequently, the European Commission persisted on the Euros ship registry by revising the proposal once more in 1994 (Interview with Managing Director of European Maritime Cooperation Agency March 2006). Nonetheless, the proposal for the establishment of a single ship registry was abandoned with the European Commission’s 1996 White Paper, ‘Towards a New Maritime Strategy’ (CEC Com 96/81). Thus, commencing with 1986 package of proposals and after six years of negotiations the European Commission accomplished the abolition of the coastal shipping cabotage trades across the EU member states. At the same, although the coastal shipowners and the Greek government were categorically opposed to the abolition, through the negotiations derogation periods were achieved with particular reference to the longest period for any EU member state of eleven years for the passenger shipping sector (Interview

with Director of Hellenic Institute of Transport March 2006, Interview with Professor of Maritime Transport at the National Technical University of Athens March 2006).

In sum, the European Commission initiatives and the proposed abolition of the cabotage trades was an issue of considerable salience for the Greek coastal shipowners. The EEA, the EEEP and YEN represented substantial formal veto points in obstructing reform at the domestic level. At the same time, the island communities constituted a factual veto point to reform. The Greek coastal shipowner associations neither engaged directly with the European Commission or the Economic and Social Committee nor pursued indirect influence through European industry associations. Certainly, the Greek coastal shipowners in the late 1980s and early 1990s had not adjusted to the changing regulatory landscape involving the EC. It was believed that the EC initiatives were a ephemeral trend, as requests to the Greek government for the repeal of Regulation 3577/92 persisted throughout the decade of the 1990s (General Confederation of Greek Labour 1998). Rather, there was evidence of close cooperation and consultation between the EEA, the EEEP and the Greek government. The latter became the access point of the Greek coastal shipowners with the EC institutions. It is noteworthy that the policy-making process at the EC level was less complex than present with the Council being the primary locus of power. The Greek government in coordination with other Southern European member states resisted the abolition of the cabotage trades seeking the longest possible derogation periods. In proposing the formation of the Euros ship registry, the European Commission sought the completion of the internal market by linking several outstanding issues. Although there were segments of organised shipping as well as individual shipowners who were in favour of liberalisation, primarily the EEMFP, their capacity to influence YEN and

the Greek government was limited. Individual commercial enterprises such as Strintzis Lines and Attica Group despite their attempts were not in a position to decisively shape the power dynamics within the respective industry associations. Similarly, although the UGS was in favour of international competition, their concentration on ocean-going shipping did not justify the commitment of resources and influence in persuading YEN to pursue the reform of coastal shipping. Due to their disparity and lack of coordination, the domestic interests in favour of reform were unable to make use of EU material and immaterial resources in altering the domestic status quo. Eventually the EEA and the EEEP declared their satisfaction with the eleven-year derogation period which was deemed sufficient in preparing for the opening of the market (Interview with Technical Director for Attica Group March 2006, Interview with representative of Mediterranean Cargo Vessels Shipowners Union March 2006). Therefore, aside from the emergence of the EC as a source of regulation, an additional dynamic was the internal conflict between coastal shipowners that defined subsequent attempt in the liberalisation of Greek coastal shipping. On the one side, there were the traditional coastal companies and primarily the people-based companies that vehemently opposed the overhaul of the system of licences and sought to maintain monopolies on their routes. On the other side, there were the coastal shipowners who were largely excluded from the system of licences, adopting a corporate approach to the provision of services and propagating the liberalisation the domestic market. Strintzis Lines commenced the reorganisation of their corporate structure and the renewal of their fleet, declaring that the deregulation of the coastal market would be inevitable. Indeed, Greek coastal shipowners began to utilise EU ‘policy instruments’ in exploring the possibility of providing coastal shipping services within other EU member states.

5.3 Abolishing Cabotage

5.3.1 Industry consolidation and fleet modernisation (1993 – 2000)

In the immediate aftermath of the EC negotiations the regulatory framework remained unreformed with the greater part of change occurring to the market structure of Greek coastal shipping. The primary features of change were industry consolidation, fleet modernisation and corporate restructuring. A handful of large companies emerged whilst erstwhile dominant companies were weakened or entirely disappeared through a wave of mergers and coalitions in the 1990s. In turn, this altered the composition and internal dynamics of the industry associations, EEA and EEEP and consequently to their relations with YEN. Nevertheless, the opposition to reform of the ‘system of licences’ remained robust with YEN and the island communities resisting the implementation of Regulation 3577/92. At the same time, domestic actors became increasingly familiar with the EC institutions, utilising material and immaterial resources in pursuing their interests at the domestic and European levels.

5.3.1.1 The Adriatic Sea Corridor

The provision of coastal transport services in the Adriatic Sea corridor linking Greece to Italy became the forerunner of changes to come in the Greek domestic market (Interview with Director of Hellenic Institute of Transport March 2006, Interview with Deputy Technical Director of Attica Group March 2006, Interview with Professor of Maritime Transport at the National Technical University of Athens March 2006, Yercan 1999). The corridor connected the Greek ports of Patras, Igoumenitsa and Corfu to the Italian ports of Brindisi, Bari, Ancona and Trieste. These routes were historically serviced by state-owned Italian shipping companies. However, the EU induced liberalisation formed the

parameters for Greek coastal companies to enter the coastal trades within and between other EU member states. By contrast to the Greek market, plying the Adriatic routes required neither a Greek-flagged vessel nor a year-round service. In tandem, the fares were not determined by YEN. Indeed, anticipating the arrival of Greek coastal companies, the Italian Ministry of Infrastructure and Transport (MIT) requested from the European Commission an earlier lifting of the cabotage in the Greek market. In the words of Giorgio Giaccardi, Principal Private Secretary at the MIT “...we simply don't accept this most favourable of treatments” (*Journal of Commerce* July 3, 1997).

From 1993 the people-based coastal company Minoan Lines and the newly established Superfast ferries, a subsidiary of the Attica Group foreseeing the growth opportunities of the Adriatic corridor, placed the first newbuilding orders for modern and fast passenger ferries with large vehicle transportation capacity (Interview with Deputy Technical Director of Attica Group March 2006). On April 15, 1995 *SuperFast I* sailed from the port of Patras to Ancona in less than twenty hours, reducing the time required for this route by forty percent (*Naftemporiki* April 18, 1995). In the same year, a joint venture was formed between Minoan Lines and Blue Star Lines, deploying modern passenger ferries on the Patras-Venice route and absorbing a large portion of demand for the Ancona port.¹⁹ Concurrently, ANEK and Blue Star Lines entered the Adriatic market by acquiring modern second-hand passenger ferries. Following the success of the first newbuildings, Minoan Lines and Superfast ferries ordered a second wave of newbuildings. In parallel, in 1995 Minoan Lines introduced the newbuilding *Aretousa* on the Patras-Ancona route, rapidly gaining a substantial market share (*Kathimerini* May 21, 1995). At the same time,

¹⁹ After the dissolution of the joint venture, Minoan Lines maintained a market share above 60 percent for the port of Venice.

operators with older tonnage were unable to compete and removed their vessels from the Adriatic corridor.

The EU coastal markets and international competition began to figure prominently in the corporate strategies of the four leading coastal shipping companies (*Lloyd's List* November 25, 1992). Following a similar business model, Superfast Ferries subsequently entered the Hanko (Finland) – Rostock (Germany) and the Rosyth (Scotland) - Zeebrugge (Belgium) routes. For the latter service, Superfast Ferries was selected by an open tender receiving partial financing by the EU through the Community programme Pilot Action for Combined Transport (PACT) (Loyola de Palacio 2002). After winning the international tender to ply the Scottish routes the Managing Director of Superfast Ferries commented, that "...the Scottish economy will reap many benefits from a direct connection with its European Union partners using our brand new luxury vessels" (Panagopoulos 2002). Similarly, upon adding two more ferries to their fleet in November 1999, the Chief Executive Officer of Anek argued that "...with the purchase of the two ferries we are accelerating the renewal plan of our fleet which is becoming established as a dominant force in the European ferry shipping industry" (*Naftemporiki* November 25, 1999). Thus, ahead of the opening of the domestic coastal market, the leading Greek coastal companies became exposed to conditions of market competition in the Adriatic Sea corridor. The employment of new passenger ferries and the adoption of modern corporate practices underpinned the prevalence of Greek coastal companies on the Greek-Italian sea routes. This approach would be gradually emulated in the Greek coastal market in anticipation of the completion of the derogation period and the abolition of the domestic cabotage trades.

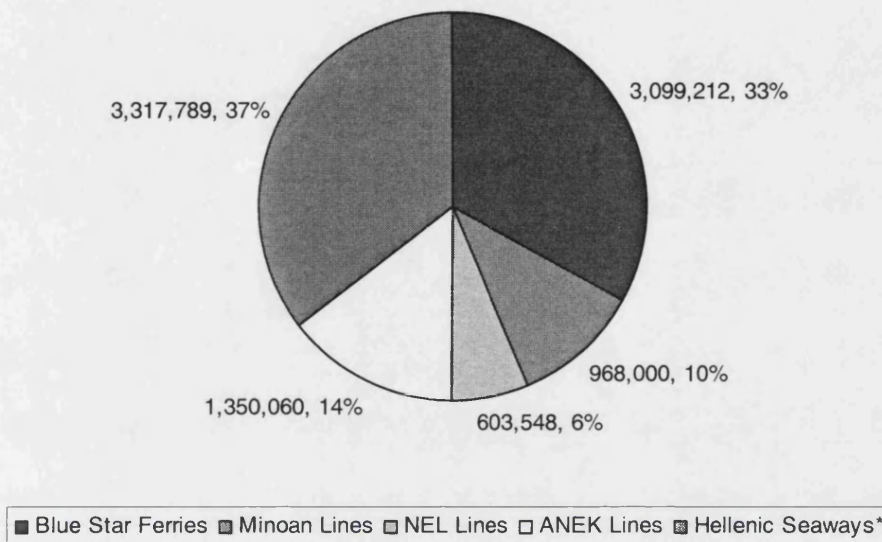
5.3.1.2 The Greek coastal transport market

Certainly, the domestic coastal shipping sector was transformed in the years following the adoption of Regulation 3577/92 on the freedom to provide maritime transport services across the EU member states (Panagopoulos 2005, Strintzis 2005, Panagopoulos 1999, Sfinias 1999, Strintzis 1999, Agoudimos 1999). In parallel to the commercial initiatives taken in the Adriatic corridor, the Greek coastal shipowners instituted changes in strengthening their position. This was characterised by corporate restructuring, industry consolidation and fleet renewal. Particularly the introduction of modern passenger vessels was perceived as an imperative for coastal shipowners in preparing for the opening of the market in January 2004. Throughout this period the urgency of corporate reform was compounded by circulating rumours of the eminent liberalisation of the sector by the government (Interview with Shortsea Shipping advisor to the Mediterranean Cargo Vessels Shipowners Union March 2006).

Industry consolidation took place coalescing around three corporate groups Attica Group, Minoan Lines and ANEK (Steer Davies Gleave 2005, Panagopoulos 2005, Strintzis 2005, Zambetakis 2005, Panagopoulos 2000, Kivotos 2000). Attica Group entered the domestic coastal market by acquiring a controlling stake in Strintzis Lines which was subsequently renamed to Blue Star Ferries.²⁰ Likewise, ANEK entered the Lesvos and Dodecanese routes by acquiring stakes in NEL and DANE as well as absorbed two smaller Cretan ferry operators, LANE and Rethymniaki Lines (Zambetakis 1999).

²⁰ Attica Group purchased 48.8 percent of Strintzis Lines in 1999. In 2005 it purchased 10.2 percent of Minoan Lines and 12.3 percent of Hellenic Seaways.

Figure 4: Greek Ferry Market Share (passenger traffic 2006)



Source: XRTC Annual Ferry Report 2007 (*MFD was the predecessor of Hellenic Seaways).

Nonetheless, the trend towards consolidation was embodied in Minoan Flying Dolphins (MFD). In contrast to the EU induced movement towards liberalisation and competition, MFD sought to incorporate the entire Aegean coastal trade within its commercial operation. Established in 1998, MFD was the product of a merger between Minoan Lines and Ceres Flying Dolphins.²¹ As Minoan Lines was concentrated on the Piraeus-Crete route and the Adriatic corridor, the formation of MFD was seen as a corporate vehicle for entering the Aegean island trades (Sfinias 1995). Ceres Flying Dolphins was operating a fleet of hydrofoils and catamarans across an extensive network of Aegean islands (*Naftemporiki* February 19, 2000). Subsequently, the Managing Director of MFD and concurrently President of the EEA, Pantelis Sfinias orchestrated a string of mergers and acquisitions with smaller

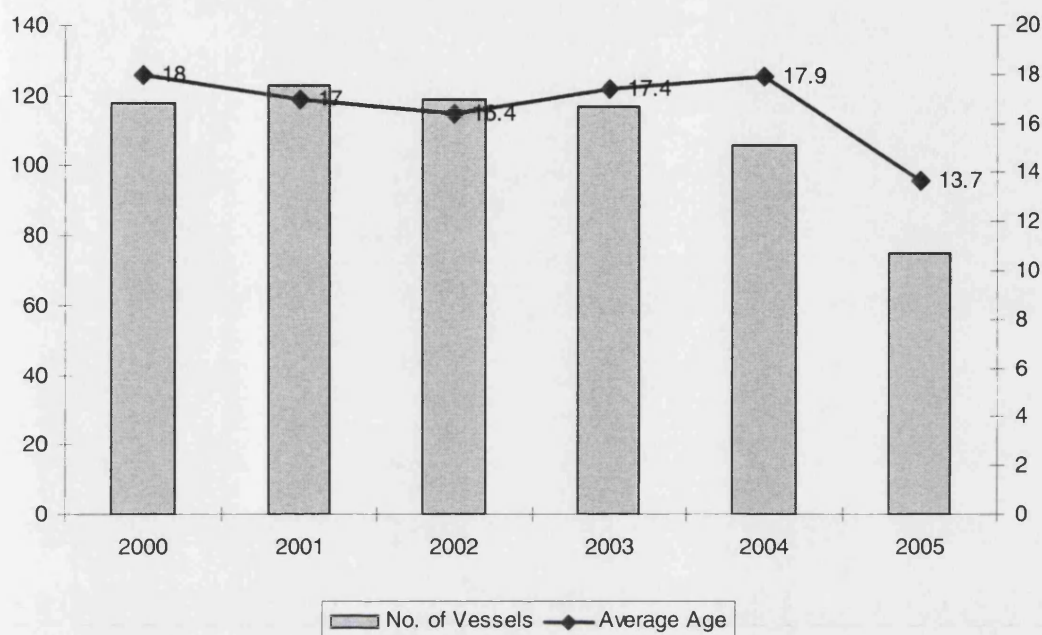
²¹ Minoan Lines owned 70 percent and Peter Livanos's Ceres Group the remaining 30 percent.

companies. Smaller operators were persuaded to join their vessels in a larger MFD that would be in a position to compete with leading EU ferry operators (Klironomos 2001, Kapranos 2000, Sfinias 1999). Most notably, in 1999 thirty-two ferries were purchased from long-standing companies including Agapitos Lines, Goutos Lines, Nomikos Lines, Mouloupoulos, Moiras, Lazopoulos, Stathakis, Tyrogalas, Kavounides, Frangoudakis and Efthymiadis. In return, the smaller shipowners received MFD shares corresponding to their tonnage.²² Amongst the major routes that were not serviced by MFD was Piraeus-Crete which was already operated by the parent company, Minoan Lines. The capacity of MFD to extend its operations across the Aegean island networks raised controversy and criticism was levelled against the alleged close relationship between the incumbent Greek government and the senior management of Minoan Lines (Minutes of the Hellenic Parliament Sessions October 2 2000, Minutes of the Hellenic Parliament Sessions November 2 2000).

Industry consolidation and fleet modernisation were intertwined with the transition in the corporate practices of passenger ferry operators (Panagopoulos 2005, Zambetakis 2005, Klironomos 2001, Panagopoulos 2000a). Departing from the employment of second-hand passenger ships the coastal shipowners ordered newbuildings for the domestic shipping market. Historically coastal companies either purchased second-hand ferries or other types of vessels which were subsequently converted into passenger ferries at Greek shipyards. In the period 2000-2005 the Greek ferry fleet development and age profile are presented in the graph below:

²² Two subsidiaries, Hellas Ferries and Saronikos Lines were founded to operate the vessels, covering Sporades and the Saronic Gulf islands. In February 2000 MFD acquired a large portion (46 percent) of GA ferries with licences corresponding to almost half the Dodecanese islands. Furthermore, MFD was granted two controversial licences for the route to islands of Chios and Mytilini, ending the longstanding monopoly of local NEL Lines.

Figure 5: Greek Ferry Fleet Development and Age Profile (2000-2006)



Source: XRTC Annual Ferry Report 2007

In an effort to raise the necessary capital, the five largest operators, Attica Group, Minoan Lines, Strintzis Lines, Anek and NEL concluded initial public offerings on the Athens Stock Exchange (ASE). In tandem, the public flotation of coastal companies was made possible by an amendment to the regulatory framework of the ASE. Amending preceding legislation, Law 1982/1990 stipulated the conditions for the listing of shipping companies. This was a considerable break from the financial practices of the family-owned or people-based coastal companies that historically relied on private equity, retained earnings and corporate loans. Illustratively, the public listing of ANEK raised the funds to place an order for its first newbuilding. Similarly, in May 1998 NEL Lines was granted two licences by the YEN to employ two high-speed ferries on the Piraeus-Dodecanese routes. The required funds were raised through a secondary offering on the ASE (*Naftemporiki* June 26, 1998).

Thus, in anticipation of the abolition of the cabotage restrictions, the Greek coastal shipowners adjusted their commercial position through industry consolidation, corporate restructuring and fleet renewal (Steer Davies Gleave 2005, Panagopoulos 2005, Strintzis 2005, Zambetakis 2005, Panagopoulos 2000, Zambetakis 1999). Instigated by the commercial decisions of the shipowners the domestic coastal market underwent adaptation. Emulating the business practices prevailing in the Adriatic Sea corridor, a handful of large companies emerged that were publicly listed on the ASE with modern corporate structures and renewed fleet of passenger ferries. Industry consolidation was exemplified by the expansion of MFD encompassing numerous smaller coastal companies. It was maintained that by early 2000 MFD controlled seventy-five percent of the domestic coastal shipping market (Minutes of the Hellenic Parliament Sessions November 2 2000). Moreover, the commercial adjustment entailed political implications that were not foreseen by the coastal shipowners.

5.3.2 Reforming the ‘system of licences’

Ahead of the EU induced liberalisation of the coastal shipping market, the coastal shipowners were involved in commercial adjustment. In tandem, the division from the period of the EC negotiations between the supporters of the status quo and the advocates of reform was reconfigured. Reflecting the change in the market structure of coastal shipping, there was growing consensus amongst the major coastal shipowners in favour of the opening of the cabotage trades. Departing from their original opposition to reform, internally the EEA and the EEEP were divided on the issue of liberalisation. At the same time, YEN and the island communities opposed

reform, primarily due to significance of coastal shipping in ensuring the social cohesion and economic development of the inhabited islands. Central to the disagreement was the 'system of licences' that was designed as an institutional barrier of entry to the island shipping trades.

Throughout this period the coastal shipping policy of YEN indicated unwillingness to reform the 'system of licenses' and open the domestic coastal shipping market to competition. The system of licences remained intact with Minoan Lines and ANEK sharing the Cretan routes, DANE and GA Ferries operating on the Dodecanese by DANE, Blue Star Ferries on the Cycladic Islands and HFD operating across these island networks. Without questioning the principles underlying the existing regulatory framework, it was maintained that licences would be issued for newbuildings or modern passenger ferries and for coastal shipowners offering competitive fares (Soumakis 1999, YEN Minister Press Conference July 10, 1999). The national policy on coastal shipping encompassed the preservation of affordable fares and concession prices for various social groups, securing services on the unprofitable routes and islands and the renewal and modernisation of the passenger ferry fleet. In tandem, the renewal of the fleet was associated to EU measures with respect to the age of passenger vessels. Within the Greek coastal industry it was anticipated that the European Commission would be pursuing the reduction of the maximum age for passenger ferries from thirty-five to thirty or even twenty-five years (Athinaios 2002). Existing national legislation stipulated a withdrawal age of thirty-five years, with the passenger fleet averaging twenty-five years. Thus, there were concerns amongst the Greek coastal shipowners that YEN would reduce the average age in line with EU measures in accelerating the renewal of the fleet. It was estimated

that if the age limit was decreased, more than half of the existing passenger ferry tonnage would have to be replaced by 2004.

In parallel to the unwillingness of YEN to proceed with the liberalisation of the coastal shipping market, the coastal shipowners were unable to agree upon a coherent position regarding this issue (Potamianos 2000, Potamianos and Sfinias 2000, Panagopoulos 2000b, Panagopoulos 1999, Strintzis 1999, Agoudimos 1999, Zambetakis 1999). In 1999 the EEEP submitted a Memorandum to YEN with its position on the reform of the regulatory framework of coastal shipping. The EEEP stressed that coastal shipping should be opened entirely to the forces of free and fair competition. It was emphasised that solely for the routes and islands that did not attract commercial interest, would it be justified for YEN to organise open tenders and provide Public Interest Contracts with subsidies attached. In addition, it was requested that the EU and national legislation were harmonized on manning requirements aboard passenger ferries. It was maintained that manning should be opened to EC nationals, excluding crews from developing countries (Panagopoulos 1999). By contrast, the EEA under the leadership of Pantelis Sfinias was unable to formulate a coherent position due to internal divisions juxtaposing Minoan Lines and its allies against the coastal shipowners that supported the opening of the cabotage trades. In a public statement the President of the EEEP chastised Minoan Lines and MFD for nurturing oligopolies in the coastal shipping market (Panagopoulos 2000b). It was argued that "...no competent shipowner favours the preservation of monopolies and the obstruction of the modernisation of coastal shipping. By contrast, some are seeing to mislead the Greek public in order to retain the existing situation until 2004 or with

their own interpretations of Regulation 3577/92 seek the preservation of the current arrangement in eternity” (Panagopoulos 2005b).

This discrepancy between the coastal companies was evident in the internal proceedings of their industry associations. In April 2000 for the elections of the EEEP Executive Board Minoan Lines and MFD elected two members.²³ Most prominently, they were joined by the reaffirmed President, Andreas Potamianos (President since 1981) and representatives of the Attica Group and Strintzis Lines.²⁴ The presence of the Minoan Group in the EEEP Executive Board was interpreted as the confrontation within the EEA moving to the EEEP (*Naftemporiki* April 4, 2000). Within days of the election of the new Executive Board, Minoan Lines registered thirty-four vessels with the EEEP increasing its influence within the association. Indeed, the President of Minoan Lines proposed the amalgamation of the EEA and the EEEP in forming a single voice to represent the interests of coastal shipping. The proposed scheme was made public by the Presidents of the EEEP and the EEA, stating the intention of creating a unified platform for promoting the interests of the coastal industry (Potamianos 2000, Potamianos and Sfinias 2000, Sfinias 2000). It was claimed that this would amplify the voice of the coastal shipowners at the national and European levels. In converse, several coastal shipowners including the representatives of the Attica Group, Strintzis Lines, ANEK and NEL opposed the amalgamation of the two associations. The proposed arrangement was perceived as the intention of the senior management of Minoan Lines to control the institutional representation of the coastal shipowners. It was asserted that if the EEEP and the EEA merged, the coastal

²³ The President of Minoan Lines Kostas Klironomos and the General Manager of MFD, Nicholas Vikatos.

²⁴ The President of Attica Group, Periklis Panagopoulos, President of Superfast Ferries Alexander Panagopoulos and the Managing Director of Strintzis Lines, Gerasimos Strintzis.

shipowners that opposed the initiative would respond by forming a new association (Panagopoulos 2000, Strintzis 2000).

In the late 1990s the differences within the coastal shipping industry were exemplified by the confrontation between Attica Group and the Cretan shipowners over operating licences for the Cretan routes. In September 1997 the Attica Group and Strintzis Lines applied to YEN for a licence to introduce a high-speed ferry on the Piraeus-Heraklion route (Steer Davies Gleave 2005, Interview with Legal Advisor to Attica Group Marcj 2006). As with the Adriatic Sea corridor, it was estimated that the employment of a modern vessel on the route would reduce travelling time by thirty percent whilst concurrently lowering fares by twenty percent. ANEK and particularly Minoan Lines that held the license for the Piraeus-Heraklion route vehemently objected the entry of Attica Group and Strintzis Lines. Following a meeting between YEN Minister and the Cretan operators, the Minister Stavros Soumakis stated that "...we are not going to upset stability in coastal shipping in the name of competition" (*Naftemporiki* October 5, 1997). Eventually, YEN did not grant a licence, maintaining that the route was sufficiently serviced by the existing operators and that the Heraklion port facilities could not accommodate the passenger ferry proposed. At the same time, the incumbent licensee, Minoan Lines made a public commitment to introduce a high-speed passenger ferry in the near future and continue servicing "unprofitable islands". Nevertheless, it took three more years for Minoan Lines to introduce discount packages and reduce the cost of fares (Panagopoulos 2000, Panagopoulos 2000b, Sfinias 2000). It is noteworthy that the reduction in the fares was not the consequence of pressures from YEN. Rather, it was the response to local pressures embodied in the requests of Cretan Associations for reduced fares to facilitate travel between Piraeus

and Crete. Indeed, in a letter sent by the Cretan Associations to a local newspaper, a commitment was made that the half a million Cretan residing in Athens would continue to support Cretan companies once the cabotage was abolished (*Naftemporiki* August 7, 2000).

At the same time, the Greek coastal shipowners utilised EU resources in shaping the domestic policy-making process and pressurising the Greek government to abolish the cabotage restrictions. In May 2000, the European Commission gave its first formal response to the complaints of the coastal shipowners regarding Law 2932/92. It was acknowledged that the complaints of the coastal shipowners were valid, particularly in relation to the system for administering licences to coastal companies. However, it was noted that the European Commission was not in a position to initiate legal procedures against the Greek government with respect to the implementation of Regulation 3577 before the end of the derogation period in January 2004 (EEA Petition to European Commission 995/2002).

On the other hand, the PNO trade union continued to oppose the deregulation of the market. As during the EU negotiations in the early 1990s the primary reason cited was that half of its membership was employed in the coastal industry. It was anticipated that increased competition would oblige shipowners to minimise crew costs. Even further, the trade unionists were concerned that the YEN discretion in designating crew composition would be reduced. With the influx of foreign competitors and open ship registries crews from developing countries would be employed, dislocating the Greek crews with their larger wages, pension and health care expenses. In the words of the President of the Greek Masters and Mates Union, "...most of the community ships which will be eligible to compete will be manned with low-waged foreign crews"

(Kouziolos 2000). Already in the Adriatic corridor trades most of the vessels owned by Greek passenger companies were under the flag of Cyprus. Hence, the vessels were not operating under the obligation to maintain a specified quota of Greek crew members. Aside from exercising pressure on YEN and the Greek government, PNO sought to utilise new lobbying opportunities that emanated from the entrance of the EU in the domestic institutional configuration. The International Transport Workers' Federation and European Transport Workers' Federation already maintained a strong presence within the EU institutions. Through these institutions the PNO exercised pressure for the repeal of Regulation 3577/92. Meetings were arranged with European Commission officials and secondarily the European Parliament. Indicatively, in January 1998 the PNO General Secretary met with the European TEN Commissioner 'with the aim of maintaining cabotage for Greece's passenger shipping' (PNO Press Release January 14, 1998). However, unlike the early 1990s the interests of the coastal shipowners and the trade unions did not coincide. Indicatively, the President of the EEA described the actions of PNO and the trade unions were described as 'pride-saving'.

Therefore, the commercial adjustment of the coastal companies in anticipation of the opening the domestic cabotage trades was not reflected in the regulatory framework. Irrespective of the adoption of Regulation 3357/92, the 'system of licenses' was central to the operation of the coastal shipping market. This was illustrated in the attempts of Attica Group and Strintzis lines to gain access to the lucrative Cretan routes. A constellation of actors encompassing the Cretan shipping companies, Cretan associations and YEN opposed the opening of the routes to competition. The divisions between coastal shipowners on the issue of liberalisation were heightened, effectively disabling the EEA as the institutional voice of the industry. Yet, both the supporters

and the detractors of liberalisation were employing EU material and immaterial resources in advancing their interests. There was evidence of coastal shipowners, YEN, island communities and trade unions using EU material and immaterial resources in strategic and legitimising ways to shape domestic policy-making.

5.4 *Express Samina* and the acceleration of reform

Against the background of industry consolidation and the divisions separating the coastal shipowners, new leadership was appointed to YEN in April 2000. The appointment of the former European Commissioner Christos Papoutsis as YEN Minister was interpreted as an indication of the Government's intention to accelerate the reform of the regulatory framework (Panagopoulos 2000b). It was anticipated that liberalisation and the promotion of competition would figure prominently on the YEN agenda. At the same time, the European Commission and the TEN European Commissioner were vocal in reminding the Greek government, YEN and the coastal industry of the upcoming lifting of cabotage. On many occasions the TEN European Commissioner reiterated that "...Greece by 2004 will have a modern, forward-looking framework for maritime cabotage services". The new leadership of YEN setup a Committee of Experts to examine proposals on the liberalisation of coastal shipping within the parameters of Regulation 3577/92. The recommendations of the Committee would underpin legislation that would be put before the parliament within 2001. In addition, the internal composition of the CTAC was expanded to island representatives with the objective of enhancing transparency in the 'system of licences'.

Nevertheless, within a few months the Greek government, YEN and the coastal shipowners were faced with the worst ferry accident since the 1966 sinking of the *Heraklion*. On September 26th 2000, the passenger ferry *Express Samina* sank off the island of Paros after hitting the rocks of Portes, resulting in eighty deaths of passengers and crew. The public outcry and media attention were substantial exerting pressures on the Greek government and the coastal shipping industry for the reform of the existing regulatory framework. Illustratively, the daily newspaper *Kathimerini* (October 1, 2000) wrote that the sinking of *Express Samina* was "...the tragedy necessary to shake the foundations of state protectionism over both trade union interests and big capital in the shipping industry". In tandem, the *Express Samina* accident instigated a broader discussion on the unregulated expansion of MFD in the late 1990s. The opposition party, New Democracy called for an enquiry into MFD's position in the Aegean islands coastal trades and the close relations between the political leadership of YEN and the owners of MDF. Criticism was levelled against a close-knit community of Ministry advisers that allowed the MFD to acquire a dominant position in the Aegean coastal trades (Minutes of the Hellenic Parliament Sessions November 2, 2000, Minutes of the Hellenic Parliament Sessions October 2, 2000). Within days from the occurrence of the accident, the European Commission requested information and a detailed account of the accident from YEN and the Greek government to be delivered within a month (Gantelet 2000). The European Commission Director General on Energy and Transport sent a letter criticising the poor safety standards of the Greek coastal shipping fleet and requesting that the Greek authorities observe the respective EU maritime transport regulations. As the letter was leaked to the Greek press, the YEN Minister in turn criticised the European Commission for making unfounded claims and supported the strong safety record of

coastal shipping and compliance to EU safety regulations. According to the YEN Minister, “the safety of passenger ships remains the primary aim of the Merchant Marine Ministry. Our country has an obligation to adapt all passenger ships to the demands of international conventions and European Directives and our government sticks to this strictly and conscientiously” (YEN Press Briefing October 2000).

Nonetheless, the accident became the catalyst for the reform of the regulatory framework and the acceleration of liberalisation. Alongside issues of negligence of the crew onboard the *Express Samina*, there was growing consensus that the primary cause of the accident was the lack of transparency in the allocation of licences and the absence of competition in the provision of coastal transport.²⁵ In its recommendations, the Committee of Experts proposed accelerating the lifting of cabotage before the January 2004 completion of the derogation period. Indeed, the Greek government and YEN announced a timetable for the adoption of legislation on the abolition of cabotage and the dismantling of the system of licences commencing from November 2002. In addition, YEN proposed reducing the age ceiling for ferries from thirty-five years to a maximum of thirty years by 2008, the strengthening of safety regulations, improving the training of seafarers by establishing private nautical colleges and establishing a vessel traffic control system for the Aegean island network (*Lloyd's List*, October 9, 2000, *To Vima*, June 25, 2000). Prior to the adoption of national legislation, the TREN European Commissioner sent a letter to the Greek Government and YEN to commend the earlier opening of the cabotage trades. However, it was noted that several provisions contravened respective EU legislation (Letter of TREN

²⁵ YEN discharged the Head of the Ministry's Inspectorate Commodore Damianos Doumanis and eight senior officers and appointed an investigative committee of two officers and three experts nominated by the Hellenic Chamber of Shipping, the Technical Chamber and PNO (*Kathimerini*, October 24, 2000).

Commissioner Loyola de Palacio to Greek government June 6, 2001). This was followed by a second warning letter to the Greek government on December 17, 2001 (European Parliament Committee of Petitions December 13, 2004).

Following three decades since the adoption of the system of licences with Presidential Decree 684/1976, in June 2001 the Greek parliament passed Law 2932 on the “Free provision of coastal maritime transport services and other issues” (Ελεύθερη παροχή Υπηρεσιών στις θαλάσσιες ενδομεταφορές και άλλες διατάξεις). The Law stipulated the liberalisation of the coastal shipping sector for vessels operating under EU member state flags commencing from November 1, 2002 in accordance with Community legislation and in particular Regulation 3577/92. Hence, licences were abolished and the coastal shipping sector was open to any operator compliant with EU requirements and able to provide documentation demonstrating their capacity to provide the service as well as a letter of guarantee.²⁶ In parallel, the Law stated the reduction of the age limit of passenger ferries from thirty-five to thirty years from 2005. The criteria for granting a license to an applicant were limited to compliance with safety requirements, the obligation to be in service for a minimum of ten months per year and suitability of the passenger vessels for the respective ports. Regarding the allocation of licences, Law 2932/01 stated that applications were submitted once a year in January with the prospect of commencing operation in November of the same year. By contrast to the indefinite duration of the licences under the previous regime, it was specified that the duration of the licence was one year. Therefore, by the end of May of each year, one-year contracts should be authorised and signed (Giannopoulos and Aifandopoulou-Klimis 2004, Goulielmos and Sambrakos 2002, Antapassis 2002).

²⁶ The documentation included tax, social security, insurance documents, criminal record, information on routes, frequency, duration of services, economy class fares and the adequacy of respective ports.

With respect to the intractable issue of the unprofitable islands (lifeline services), these would be determined by the free market. The islands that were not the subject of applications made in January each year would qualify for the provision of services through Public Service Contracts (PSCs). Upon completion of the application process the Council of Coastal Transport (CCT), (in replacement of the CTAC) compiled the list of island services that did not receive applications. These were subsequently combined into routes that were made available through competitive tender as subsidised services in April of each year. Following historical practise the subsidies were calculated per nautical mile and were funded from the national budget and a surcharge of three percent that was applied on the fares on there entire coastal shipping network. In tandem, the Law 2932/01 specified the requirements for the PSCs including frequency, period of operation, the existence of contingency vessel, standards for passenger capacity and vehicle deck, safety and fares involving a ceiling on economy class and discounts for concession passengers. Apart from PSCs, YEN was authorised to impose Public Service Obligations (PSOs) in the instances that frequency requirements were not met on certain routes, without any obligation of further subsidies.

Within the new regulatory framework YEN maintained a central position in ensuring safe, efficient and affordable coastal transport services. During the first round of applications in January of each year, YEN was not allowed to interfere in selecting between coastal shipping operators. YEN could only solicit changes if an overwhelming number of operators requested identical or overlapping time intervals for arrival and departure at ports. However, ports withheld the right to block licences

on the grounds of limited capacity and port congestion (Giannopoulos and Aifandopoulou-Klimis 2004, Goulielmos and Sambrakos 2002). The risk was shouldered entirely by the operator in providing services within the required parameters. Although some flexibility was recognised in the determination of fares, YEN continued to determine concession fares for a variety of social groups. In addition, the vessels operating in the coastal market were obliged to employ Greek crews or alternatively demonstrated Greek language proficiency for non-Greek crew members.

In addition, Law 2932/01 stipulated the formation of a new authority, the Regulatory Authority of Domestic Sea Transport (RATHE) to oversee free and fair competition in coastal shipping. RATHE was interpreted as a vehicle for the promotion of the competition principles of the European Commission. Moreover, RATHE was authorised to ensure that coastal shipping competition was in line with EU legislation and to prohibit or penalise cartel practices in setting prices and sharing routes. Offenders provided explanations for their practices and RATHE had the authority to impose fines. According to the legislative framework, the members of RHATE were appointed by the YEN Minister for a period of five years. In addition, the appointment of the President and Vice-President required the opinion of the Maritime Transport Committee of the Hellenic Parliament. The existing YEN bureaucracy was sceptical of the new authority as its responsibilities were seen to overlap with the Ministry's mandate (Minutes of the Hellenic Parliament Sessions April 22, 2004).

The coastal shipowners were partly satisfied with the stipulations of the new regulatory framework. However, a major consequence of the *Express Samina* accident

was that the divisions separating coastal shipowners were bridged. In response to the criticism levelled against MFD as the operator of the *Express Samina*, its President, Pantelis Sfinias committed suicide. Sfinias had presided over the EEA for approximately seven years and was largely responsible for the rupture within the association and its inability to formulate a coherent policy on the liberalisation of coastal shipping. Elections were held in 2001 and the Chief Executive Officer of ANEK (Stelios Zambetakis) became the new president of the EEA. The proposals for amalgamation with the EEEP were abandoned and the EEA proceeded by articulating a coherent position on the new regulatory framework. There was a broad consensus that Law 2932/01 was hastily drawn and the coastal shipowners were not sufficiently consulted. Although there was satisfaction with the transparent mechanism for allocating licences, the one-year duration was seen as narrow entailing considerable bureaucratic coordination every year. In addition, there was largely agreement with the role of RHATE as an independent adjudicator of free and fair competition (Panagopoulos 2005, Interview with legal advisor of Attica Group April 2006, Minutes of the Hellenic Parliament Sessions April 22, 2004). However, the EEA stated its opposition to the continuing interference of YEN in setting fares, the reduction of the maximum age for ferries from 35 to 30 years and provisions related to the Greek manning of passenger ships (Zambetakis 2005, Strintzis 2005, Panagopoulos 2000b).

Resting on an internal consensus, the EEA expanded its lobbying efforts at the domestic and EU levels on amending provisions of Law 2932/01 that were in conflict with EU legislation. The EEA utilised material resources in the form of EU institutions and policy instruments in countering the YEN and the stipulations of the

national legislation. The EEA lodged a legal challenge with the Council of State, the highest court in the Greek judicial system and the respective EU judicial organs over the harmonisation of Greek with Community legislation regarding the thirty-five year age limit for vessels and the determination of fares and crew composition by YEN (*Naftemporiki* September 21, 2002). At the same time, a petition was sent to the European Commission to bring to its attention the discrepancies between national and Community legislation (EEA Petition to European Commission 995/2002). The European Commission responded in December 2003 confirming the points raised by the EEA and stating that "...Law 2932/2001 does not fully liberalise these trades" (European Commission Response to Petition 995/2002, December 12, 2003). Nevertheless, EEA and the European Commission disagreed over the commencement of the infringement, with the former stating "as from the publication" of Regulation 3577/92 and the latter maintaining "as from the 1st of January 2004". Consequently, the European Commission was not in a position to initiate infringement proceedings against the Greek government before January 2004.

Nonetheless, in the context of the new regulatory framework, further changes were endorsed in the operation of the coastal shipping market. After its failed attempts in the late 1990s to obtain licences in the Aegean island trades, Superfast Ferries through Blue Star Ferries secured licences to operate on the lucrative Piraeus-Crete and Piraeus-Rhodes routes. Yet again, Minoan Lines and ANEK opposed the YEN decision with the President of Minoan Lines publicly condemning the YEN Minister of collusion with the senior management of Superfast Ferries and threatening the latter "...not to dare commence its service to the Cretan ports" (Klironomos 2000). Minoan Lines went on to call upon Cretans not to use the Superfast ferries in the

collective interest of Crete. Nevertheless, Superfast Ferries maintained that the liberalisation of coastal shipping was irreversible and requested the further liberalisation of the coastal shipping market (Strintzis 2001, Panagopoulos 2000b). It was maintained that their comparative advantage was the introduction of a modern fleet of high-speed ferries, raising the expectations of passengers (Zambetakis 2001). Overall, since the adoption of Law 2932/92, most applications for licences were authorised. The exemptions were applications that were not accompanied by a guarantee letter as this was an indispensable document for the enforcement of requirements (Steer Davies Gleave 2005, Interview with Legal Advisor of Attica Group March 2006, Interview with Director of Hellenic Transport Institute March 2006).

Therefore, the *Express Samina* accident became a catalyst for the reform of the coastal shipping regulatory framework and the dismantling of the 'system of licenses'. In response to public and media pressures, the Greek government accelerated the abolition of the cabotage trades with Law 2932/01. The issuance of licenses by YEN was replaced with a more transparent and market-based arrangement for the operation of passenger ships on island routes. In conjunction, YEN maintained its competence in the determination of fares, there were compulsory restrictions on manning and the maximum age for passenger ships was reduced to thirty years. The partial liberalisation that the new regulatory framework encapsulated was criticised by the coastal shipowners and the European Commission. Rather than resolving the problems in the provision of coastal transportation, Law 2932/01 entailed further negotiations of the terms of liberalisation between the coastal shipowners, the Greek government, the European Commission and the island communities.

5.5 January 2004 and the shortage of vessels

The arrival of the formal date for the opening of the cabotage trades on January the first 2004 according to Regulation 3577/92 was accompanied by disagreement and controversy on the terms of liberalisation. The coastal shipowners through the EEA and the EEEP advocated for the complete liberalisation of coastal shipping and looked to the European Commission for support in influencing YEN. The European Commission had already claimed there was a discrepancy between national and EU legislation and with the advent of January 2004 was eligible to initiate infringement proceedings against the Greek state. At the same time, YEN maintained that Greek coastal shipping was an exceptional case and legislation should safeguard the social and economic cohesion of the islands. Island communities exerted their influence through traditional means and the usage of EU resources in addressing the shortcomings of the coastal transportation system.

Following January 2004, the EEEP and especially the EEA issued statements, memoranda and sent letters to YEN detailing the position and requests of their members. The principal requests involved the complete liberalisation of the domestic market according to EU legislation, the abolition of compulsory concession fares, the amendment of the thirty-year maximum age limit for passenger vessels and the review of state aid in line with EU guideline. In the words of the President of the EEA, "...with the application of EU rules, state intervention will be lifted and coastal shipowners will be able to plan their routes, determine each ship's timetable and fares, and operate competitively" (Sarris 2006). In accentuating the obstacles for Greek

coastal shipowners, comparisons were drawn to the Adriatic corridor with the employment of modern passenger ferries providing a reliable, safe and environmentally friendly service within a competitive market environment. In contrast, it was claimed that this quality of service was not be replicated in the Greek coastal market characterised by state intervention (Maniadakis 2005, Sakellis 2005, Panagopoulos 2005). Against the background on rising oil prices, the liberalisation of fares was a sensitive issue for coastal shipowners. It was calculated that the level of fares determined by YEN were sixty-two percent lower than the amount coastal shipowners were entitled due to arbitrary reductions over the period from 1993 to 2003. Compared to the price structures prevailing in other EU member states, it is maintained that fares in Greece were one-third of the prices for the same distances, with approximately thirty percent of the price corresponding to state taxes (Panagopoulos 2005a). According to the President of Attica Group "...the government is imposing a price cartel ... disrupting the emergence of truly liberalised domestic market" (Panagopoulos 2005a).

In May 2004, in the General Assembly meeting, it was decided that the member companies of the EEA would proceed with the 'self-liberalisation' of the coastal transport market. Resting on the principle of the legal superiority of EU Regulation 3577/92 over national legislation, the coastal shipowners unilaterally announced that they would be increasing fares by ten percent. The necessity for the increase was attributed to increased costs related to fuel and bunkers. The President of the EEA pointed out that "...de facto, European legislation overrides member state legislation". In a similar move, the members of the EEA did not submit letters of guarantee in their January 2005 applications. The objective was to weaken the position of YEN in

identifying the unprofitable routes and disrupt the coastal shipping service cycle commencing in November 2005. Certainly, the EEA demonstrated its strength by asserting that any member company submitting letters of guarantee would be automatically expunged from the association (*Naftemporiki*, October 21, 2004). Similarly, ahead of the January 2006 application session, the EEA explained that its members would not be submitting three forms of documentation, the letter of guarantee, a price-list for economy class fares and a declaration of assurance that the ports serviced would not present any problems for their vessels. Particularly the third type of documentation was an issue of disagreement in itself between the coastal shipowners and YEN. As port infrastructure in many islands was poor, mooring modern vessels was seen as a risk that should not be shouldered solely by the shipowners (Strintzis 2005a, Sakellis 2005). In a memorandum sent to YEN it was maintained that most of the ports were at an unacceptable state of repair, citing the ports of Andros, Syros, Samos, Leros, Patmos, Folegandros and Kythera (*Naftika Chronika* September 16, 2005). Likewise, individual shipowners stated their unwillingness to comply with national legislation and the decisions of YEN. The Managing Director of Hellenic Seaways publicly declared the refusal of the company to cooperate with YEN if the existing regulatory framework remained unchanged (Strintzis 2005b). On a different occasion he complained that "...we were given promises but have not seen any signs of change... today ferries were controlled by the government and in many cases operators were asked to provide uneconomic services without getting paid" (Strintzis 2005c). Concurrently, coastal shipowners belonging to the EEEP were institutionalising their presence at the European level. Within the existing framework of the European Community Shipowners Associations (ECSA) Superfast Ferries was instrumental in reviving the High Level Ferry Group (HLFG)

with the primary purpose of representing the interests of passenger shipping at the EU level (Interview with Interview with Chief Executive Officer of Interferry March 2006, Interview with Executive Advisor of European Community Shipowners Associations March 2006).²⁷ Indeed, the President of Superfast Ferries was unanimously elected as Chairman of the HLFG. Following the election he took the opportunity to reiterate the significance of a single EU coastal shipping market, stating “...our industry should move towards the creation of a European-wide commercial level-playing-field for all operators” (Superfast Ferries Press Release June 6, 2003).

Alongside complete liberalisation, the EEA was pressing YEN for the amendment of the age ceiling for passenger ferries, scheduled for thirty-five years by 2008. According to projections of the EEA, thirty-six ferries currently serving key lines were due for withdrawal from service by 2008, corresponding to fifty percent of the existing fleet (Sakellis 2005, Xiradakis 2005). At the same time, there were only three orders for newbuildings and absence of any activity in the second-hand market. This would result in a shortage of vessels and demand across large parts of the island network would remain unsatisfied. Once again, coastal shipowners attributed this discrepancy to the lack of competition and the incomplete implementation of Regulation 3577/92 that did not justify capital investments in passenger ferries (Panagopoulos 2005, Maniadakis 2005, Strintzis 2005, Sakellis 2005). As a contrast, coastal shipowners pointed to the Adriatic corridor with predominantly modern high-speed ferries plying the routes under conditions of open competition. In the words of

²⁷ The HLFG comprises the following member companies: Brittany Ferries, Color Line AS, Corsica Ferries, DFDS Seaways, Hellenic Mediterranean Lines (Yannoulatos), Irish ferries, P&O Ferries, Rederi AB Gotland, Scandlines, Sea Container Ferries, Sea France, Silja Line Oy, Société Nationale Maritime Corse-Méditerranée, Stena Line AB, Superfast Ferries, TT-Line, Viking Line AB.

the Managing Director of Blue Star Ferries, "...operators are reluctant to proceed with further investments...plans were cancelled in 2002 when we realised the government was ignoring its obligation to apply EU regulations on liberalisation...we are now just a step away from going to the European Court of Justice...the result of non-competition is catastrophic" (Sakellis 2005).

With the advent of 2004 the European Commission was in a position to legally uphold the liberalisation of Greek coastal shipping. Since the adoption of Law 2932 in 2001, the European Commission had informed the YEN on the existence of inconsistencies with EU legislation. As YEN and the Greek government did not make any amendments to the national legislation, infringement proceedings were initiated by the European Commission (Minutes of the Hellenic Parliament Sessions April 14m 2006). In February 2004 the European Commission sent a letter of formal notice to Greece regarding the incorrect application of European legislation on freedom to provide services to maritime transport within member states. Firstly, it was noted that the Greek regulatory framework subjected the entire coastal transport network to requirements with respect to the provision of a public service and specifically for routes, frequency, duration (ten months per annum) and economy passenger fares. Secondly, Law 2932/01 stipulated that the non-Greek members of the crew should hold a certificate proving their knowledge of the Greek language. According to the European Commission this moved beyond Community legislation which referred only to crew with duties relating to passenger safety. Thirdly, the age ceiling of thirty-five years was not contained in the respective Regulation. Fourthly, Greek legislation was overly restrictive in requiring a representative and an office located in Greece (European Parliament Committee on Petitions December 13, 2004). In response, YEN

requested an additional month to prepare its response to the European Commission questions, transferring the deadline from early April to early May (*Naftemporiki*, March 29, 2004). As there was an absence of progress, in December 2005 the European Commission sent a reasoned opinion, referring Greece to the European Court of Justice for failure to comply with EU coastal transport legislation. Alongside the issues raised in the initial letter of notice, it was noted that Greek legislation on the regulation of issues such as ship equipment, percentage of economy class passengers and the pricing of food on board was overly restrictive on the freedom of coastal shipowners to operate their vessels (European Commission Reasoned Opinion to Greece December 19, 2005).

It was believed that the actions of the European Commission and the referral of Greece to the ECJ would force YEN to accelerate the harmonization of Greek with EU legislation (Sarris 2006, Panagopoulos 2004). This coincided with the election of the New Democracy party into government in March 2004. In the words of the newly appointed YEN Minister "...the first issue that I found on my desk left behind by my predecessor was the imminent referral to the ECJ" (Kefalogiannis Records of Hellenic Parliament September 27, 2005). Subsequently, YEN was in consultation with the European Commission to formulate an appropriate policy and halt the infringement proceedings. YEN explained to the European Commission that the provision of coastal transport was not an instance of perfect competition. Rather, it naturally tended towards an oligopoly with 'destructive competition' and market failure ensuing (YEN Press Briefing May 20, 2004). This was compounded by the seasonal character of the market. According to YEN, if the market were to be completely liberalised private operators would gravitate towards providing services in the

summer months. Considerable subsidising would be required to attract shipowners in operating vessels during the winter months. Nonetheless, YEN proceeded with the liberalisation of fares for routes from four Ports, Kimi, Lavrion, Rafina and Eleusina.

In addition, the new leadership of YEN dissolved RATHE, the authority established with Law 2932/01 to ensure free and fair competition in the coastal shipping market (Interview with Director of Hellenic Institute of Transport March 2006, Interview with Shortsea Shipping Advisor to the Mediterranean Cargo Vessels Shipowners Union March 2006). Instead the mandate for overseeing competition in coastal shipping was transferred to the Competition Committee. In an intense discussion at the Hellenic Parliament, it was claimed by the YEN Minister that in the three years of its existence RHATE was ineffective, costly and opaque. In his words, "...RATHE was overly costly...the members of the Executive Board were appointed for a five year term with extravagant wages...whilst one of the members of the Board happened to be a close relative of the former YEN General Secretary" (Kefalogiannis Minutes of the Hellenic Parliament Sessions April 22, 2004). The YEN Minister who oversaw the formulation and adoption of Law 2932/01 defended RHATE as an independent body that was suitable for the particularities of Greek coastal shipping. As opposed to the Competition Committee it was maintained that RHATE could act preventively in monitoring prices and formulating guidelines as well as issuing penalties for the violation of competition rules. Similar bodies were established in industries of public interest such as telecommunications and energy (National Telecommunications Commission EET, Regulatory Authority for Energy RAE). Further, the former YEN Minister argued that RATHE was an effective organ and over its life span reviewed over three hundred reports of violations and issued a number of guidelines on issues

of free and fair competition (Papoutsis Minutes of Hellenic Parliament Sessions April 22, 2004). The decision to abolish RHATE was described as an example of the ‘selective state interventionism’ of the new leadership of YEN (Pipergias MP Minutes of the Hellenic Parliament Sessions September 27, 2005, PASOK 2005b).

In September 2005, YEN announced a package of ten measures for coastal shipping in an effort to demonstrate progress in complying with EU legislation. First, fares would be liberalized on routes with three or more companies that transported at least 150,000 passengers per annum (YEN Press Briefing September 7, 2005). Indeed, in January 2006 the CCT proposed the liberalisation of the routes from Pireaus, Heraklion, Chania, Siros, Tinos, Mykonos, Paros, Naxos, Santorini, Chios and the Dodecanese. Second, free tickets would be provided for inter-island voyages to the residents of ‘unprofitable islands’ with population less than 3,100 people. Third, the duration of PSCs was extended from one to five years with the objective of attracting newbuildings and improving the quality of service. Fourth, qualitative criteria would be applied in the signing of PSCs with a preference for passenger vessels under the average age of the Greek fleet at sixteen years. Sixth, loans with favourable conditions were made available for coastal companies to encourage the employment of young passenger vessels on routes with PSCs.²⁸ In relation to this measure YEN supported the establishment of local shipping companies servicing the less profitable routes between small islands. In the words of the YEN Minister “...we should see the emergence of local shipping companies that operate services between islands at lower

²⁸ In July 2005 YEN signed a Protocol for the Financing of Seaports in the Territory of the Hellenic Republic of 3 billion Euros with the European Investment Bank. Apart from port infrastructure, the Protocol incorporates the financing of vessels for the formation of connections between the ports of thin lines. The credit facility conditions included 25-year maturity and interest moratorium of 7 years (YEN Press Release July 12, 2005).

costs. The big companies will link large islands that act as hubs. So it will be a two-tier market, with a lot of potential for increasing traffic and revenues” (*Naftemporiki* December 13, 2005). Fifth, an official record of mechanical failures would be kept with the objective of penalizing coastal shipowners operating substandard tonnage, including the annulment of the PCS. Sixth, in line with an initiative at the EU level, YEN announced the Charter of Rights for the Passengers of coastal vessels. This incorporated standard procedures for processing complaints, the apportionment of compensation, the prompt notification of delays or cancellations and the appointment of staff within coastal companies with the responsibility of overseeing quality control (YEN Press Briefing September 7, 2005, PASOK 2005). In relation to the refusal of EEA members to submit the required documentation, the YEN Minister described such actions as illegal and in contravention to Law 2932/01. YEN maintained that unilateral actions could not be condoned and prior consultation with the state authorities was indispensable. With the continued refusal of the EEA to submit the required documentation, YEN announced PSCs of five-year duration on the Piraeus-Chania and Piraeus-Heraklion routes. The YEN Minister went on to invite foreign operators to enter these routes (Kefalogiannis 2006, Minutes of the Hellenic Parliament Sessions April 14, 2006).

At the same time, the unprofitable routes and islands were unable to attract the commercial interest of coastal shipping companies. Although the new regulatory framework was in place since November 2002, the provision of coastal transport services across the entire island network remained an intractable problem. In 2004 approximately seventy routes were tendered for PSCs, several of which were subjected to new tenders and renegotiation. For these routes subsidy provision was

37.1 million Euros, compared to 9.4 million Euros in 2001 which was the final year of the previous regulatory regime (Kefalogiannis MP Minutes of the Hellenic Parliament Sessions December 22, 2005). The coastal transport framework of the previous decades excluded local administration from participating in coastal shipping policy making, resulting in the formation of three separate groupings of islands. The first category consisted of the large commercial and tourist islands that faced problems satisfying demand in the summer months and limited frequency of services over the remaining seasons of the year. The second category comprised the large number of medium sized and even large but distant islands (Dodecanese, East Aegean islands) that confronted transportation problems on a permanent basis. The third category was the small islands that were isolated irrespective of season (Institute of Local Administration 2006).

Following the principle that safe, reliable and affordable coastal shipping services were a social right, the island communities were opposed to the liberalisation of fares and the abolition of concessions. There was concern that the EEA was overly influential in pressuring YEN to fully adopt Directive 3577/92. Nevertheless, unlike the preceding decades the voice of the island communities in coastal shipping had become institutionalised through participation in the CCS and the National Shipping Policy Council. The Central Union of Municipalities and Communities of Greece (KEDKE) comprising elected representatives of local authorities was granted a position in the CSC whilst the NSPC on issues of coastal shipping included MPs from island constituencies, mayors and heads of local authorities (YEN Press Briefing December 13, 2004). The island communities employed the traditional channels of influence in pressing YEN, YPAI and the Greek government to address their transport

needs. Island-based transport committees were organised to coordinate the actions of local authorities, associations and Chambers of Commerce in promoting their interests. On the island of Chios the 'Committee for Coordinated Struggle for Coastal Shipping' was formed whilst a Pan-Aegean Committee was established to coordinate the activities and interests of islands communities across the Aegean. Alongside the usage of channels of influence towards central government, committees organised protests and demonstrations at the ports of their islands.

Moreover, with the EU expanding the opportunity structure, islands communities employed the strategic use of EU policy instruments in increasing their influence on domestic coastal shipping policy-making (Surel 2000). The island communities sought direct contact with European Commission officials and Greek MEPs whilst indirectly raising their concerns through European associations with membership from various levels of local government, including Insuleur and the Islands Commission of the Conference of Peripheral Maritime Regions of Europe (CPMRE). Insuleur featured prominently (Network of the Insular Chambers of Commerce and Industry of the European Union) with the participation of the Group of the Chambers of Commerce for the Development of Greek islands (EOAEN) and a number of individual island chambers of commerce.²⁹

The channels of influence utilised by island communities was illustrated by the case of coastal shipping services to the island of Kea, one of the closest islands of the Cyclades to Attica. The island was serviced by three ships with two forming part of an 'unprofitable route' passing three times per week and one vessel plying solely the Kea-

²⁹ Chambers of Commerce of Chios, Corfu, Cyclades, Dodecanese, Evia, Heraklion, Kephallonia & Ithaki, Lasithi, Lesvos, Magnesia, Piraeus, Rethymno, Samos, Zakynthos.

Lavrion route owned by the TNC (Tzia Maritime Company). The TNC vessel was unable to cater for the transport needs of Kea due to the irregularity of services and frequent technical problems. Hence, the two vessels plying the 'unprofitable route' ensured coastal transportation for the island of Kea. However, the owner of TNC complained to YEN and YPAI for unfair competition from the operation of the two subsidised vessels, threatening to abandon the route. Subsequently, with a Ministerial Decision (10627/26.10.2004) the collection and delivery of passengers was prohibited by the subsidized vessels transiting Kea. The island authorities and residents responded by utilizing every possible channel of influence. Their efforts were coordinated by the Municipal Committee for the Transportation of Kea (MCTK) which was established by the Municipality of Kea and authorized to undertake political and legal action in solving the transportation problems of the island. The MCTK proclaimed that the TNC held a monopoly at the detriment of the economic development of the island. YEN and YPAI were criticized for acquiescing to pressure from the coastal shipowner and violating EU legislation on the liberalisation of coastal shipping. As a first step the MCTK sent a formal complaint requesting the repeal of the Ministerial Decision. With a new Ministerial Decision (11839/24.11.2004) the YEN Minister allowed only one of the remaining vessels to service Kea once per week. However, coastal shipping services remained haphazard and in February 2005 the MCTK sent another complaint to the YEN Minister, emphasizing that the unsuitable size of the TNC vessel and irregular schedule were undermining the economic development of the island and discouraging the attraction of tourists (Official Complaint of the Citizens of Kea, February 21, 2005). Similarly, the Hellenic Parliament MPs for the Cyclades and Athens submitted formal questions to YPAI requesting the reinstatement of the third service (Chomatas Memorandum to

Hellenic Parliament December 13, 2004, Question to Hellenic Parliament, November 3, 2004). In tandem, utilizing EU resources the MCTK announced that they would proceed by seeking recourse at the European Court of Justice (Municipal Committee for Transport of Kea, Press Declaration December 2, 2004).

Furthermore, there is evidence of the increased relevance of experts in the reform process for coastal shipping (Ladi 2005: 293). In response to the intractable problems of coastal shipping, research and policy proposals were generated by research institutes affiliated to the state and KEDKE. In 2002 YPAI mandated the Hellenic Institute of Transport (I.MET) to assess the alternatives and propose measures to address the 'market failure' regarding coastal transportation to unprofitable islands within the parameters of EU legislation (Interview with Director of Hellenic Institute of Transport March 2006). Subsequently, I.MET prepared two reports proposing the purchase of twelve passenger vessels by the state, operated by a new organisation that would take the form either of a private company or cooperative of local authorities. The vessels would be employed on unprofitable routes under PSCs and Public Service Obligations with duration of twelve years (Pavlidis MP Minutes of the Hellenic Parliament Sessions September 27, 2005, Giannopoulos and Aifandopoulou 2004).³⁰ Moreover, in April 2006 the Institute of Local Administration, the research institute of KEDKE prepared a report proposing the redesign of the coastal shipping network. Commencing from the principle that coastal transport was a public good and should be safeguarded by the state, a set of measures were advanced. Firstly, the formation of unified decision-making body mandated to design, coordinate and monitor intermodal transportation across the islands. Secondly, the establishment of an organisation to

³⁰ This was reminiscent of the state-controlled coastal company *Hellenic Coastal* that was established by the state-owned bank ETVA in September 1985. The company went bankrupt in 1991.

provide coastal transportation to unprofitable islands, financed primarily from public sources. Thirdly, the founding of an observatory to generate research and statistics and assess market conditions in island transportation (Institute of Local Administration 2006).

Thus, the completion of the eleven-year derogation period in January 2004 was not accompanied by the liberalisation of the domestic coastal market. Resting on the incompatibility between national legislation and Regulation 3577/92, the European Commission initiated infringement proceedings against Greece. The main differences between the Greek government and the coastal shipowners were the liberalisation of fares, the maximum age for passenger ferries and compulsory manning requirements. Alongside the use of EU resources, the Greek coastal shipowners utilised the new regulatory framework in advancing their interests. This entailed the refusal to submit the required documentation with their annual applications for routes and the increase of fares without prior consultation with YEN. At the same time, the incumbent Greek government refused to fully liberalise the coastal market citing the necessity of ensuring the social cohesion and economic development of the inhabited islands. Similarly, the island communities were mobilizing at the national and European levels in securing affordable and reliable coastal transport services. Corresponding to the turbulent history of Greek coastal shipping throughout the post-war years, the terms of liberalisation remained under negotiation between the coastal shipowners, the Greek government, the European Commission and the island communities.

5.6 Coastal shipping, Greek politics and the European Union

According to the schedule of Regulation 3577/92 Greece was the final of the EU member states to liberalise its coastal shipping regime in January 2004. The *Express Samina* accident spawned the formulation of Law 2932/01 with the intention of opening competition in November 2002, earlier than the EU timetable. With the lifting of the cabotage regime, EU-flagged passenger ferries were eligible to apply to operate on Greek coastal routes. Nonetheless, four years elapsed from the opening date stipulated by Greek legislation, including two years from the EU deadline and the terms of liberalisation remain under negotiation between the coastal shipowners, the Greek government, the European Commission and island communities.

The effect of the European level negotiations in the period between 1986 and 1992 was minimal on the domestic institutional framework. Over this period and until well into the 1990s the formal and factual veto points in the form of YEN, the coastal shipowners and local communities were opposed to the reform of the longstanding system of licences. Exceptions were the industry association EEMFP and individual coastal companies, namely Attica Group and Strintzis Lines. Hence, in a unitary state with weak 'integrated leadership', the convergence of veto points against reform denoted that EU adaptation pressures could not reshape the domestic institutional configuration. Even if EU material and immaterial resources became available, the domestic actors were unable or unwilling to utilise these in order to effect domestic change.

Initially, it was the anticipation of reform in January 2004 that generated changes to the structure of the coastal shipping market with industry consolidation, corporate restructuring and fleet modernisation featuring prominently. In conjunction, the availability of equity capital through the burgeoning ASE provided further impetus for fleet expansion and market growth. The emergence of a handful of leading coastal companies had pervasive political implications. The EEA and the EEEP gradually shifted from detractors to supporters of reform, exposing internal divisions between the coastal shipowners. This was illustrated by the efforts in the late 1990s of the Attica Group and Strintzis Lines to secure licences from YEN to operate vessels on the Cretan routes. The relationships between YEN, the Cretan shipping companies and local politics, underpinned was sufficiently robust in deflecting competing companies from entering the lucrative Cretan routes. Concurrently, the European Commission intermittently reminded the domestic actors of the 2004 deadline and encouraged the adoption of legislation accelerating reform. The formal and factual veto points of YEN and the island communities remained firmly opposed to the liberalisation of the coastal shipping market. Nonetheless, actors across the reform spectrum began to acknowledge the legitimacy of the European Commission in regulating the domestic coastal shipping market with growing evidence of the usage of EU material and immaterial resources in shaping policy-making.

As previously in maritime history, the *Express Samina* accident was a catalyst for reform. Under considerable public pressure, YEN and the Greek government took the first tangible steps towards reforming the coastal shipping regulatory framework. Law 2932/92 was adopted to harmonise EU and national legislation by abolishing licences and engendering non-discriminatory conditions for competition. The application

process became more transparent and the composition of the Council of Coastal Shipping was expanded to include local government. At the same time, the Greek authorities were concerned with preventing instances of ‘destructive competition’ and ‘predatory pricing’ whilst safeguarding territorial integrity and ensuring the economic and social cohesion of the islands. Indeed, prior to the adoption of the legislation, the European Commission had warned the Greek government and YEN of the inconsistencies with Regulation 3577/92.

In spite of the advent of January 2004 the coastal shipping market remained partly liberalised whilst the island network, especially the unprofitable islands, were contending with haphazard coastal shipping services. As signalled, the European Commission initiated infringement proceedings against Greece for incorrect application of EU legislation on the liberalisation of coastal shipping. The newly installed leadership of YEN (following the March 2004 elections) commenced a consultation process with the European Commission and announced a package of ten measures to resolve the impasse of coastal shipping. YEN declared the liberalisation of fares for profitable routes, the provision of free inter-island tickets to the residents of small islands and the arrangement of preferential credit facilities to encourage orders of newbuildings. Nevertheless, at the time of writing of this thesis several issues remained unresolved, including the European Commission infringement proceedings and the complete liberalisation of coastal shipping, the age ceiling of thirty years and the projected shortage of vessels in 2008, the application documentation for routes and the unreliable coastal shipping services to the island network, particularly unprofitable islands.

The market and regulatory reform of the coastal shipping industry was accompanied by the breaking of the mould of the state corporatist arrangement that prevailed for three decades (Mouzelis and Pagoulatos 2002, Ioakimidis 1996, Schmidt 1996). A weakening in the preferential ties between YEN and the coastal shipowners that held the operating licences was documented. With the abolition of licences in Law 2932/01 the coastal shipowners were not in a position to control island routes for indefinite duration. A more transparent and market-based system of allocating routes was installed. Concurrently, new actors joined the political process, most notably the European Commission the pressed for domestic reform. Similarly, participation in coastal shipping policy-making was widened with the admittance of a KEDKE representative at the CTC and the involvement of various levels of local government at the National Shipping Policy Council. However, although local government was not a formal veto point under the preceding regulatory framework, local politics were central to the political process.

In the aftermath of the adoption of Law 2932/01, there was a heightening in the usage of EU material and immaterial resources by the respective actors in shaping domestic coastal shipping policy outcomes. Regarding immaterial resources, there was primarily evidence of the usage of legitimizing resources by domestic actors. YEN, industry associations, local communities and trade unions employed the notions of 'European interests', 'European constraints', 'European economy', 'European competition' and the 'European Idea' in furthering their interests. The EU as a legitimizing device was used by both supporters of reform as well as defenders of the status quo. In parallel, material resources in the form of EU institutions and policy instruments were used by national actors in shaping domestic political results. The

EEA submitted a petition to the European Commission emphasizing the discrepancies between EU legislation and Law 2932/01. The coastal shipowner associations cited innumerable times the EU Directive 3577/92 in statements, speeches, declarations, memoranda and letters in seeking policy reform. Alongside meetings with YEN and the Greek government, direct contact was pursued by the EEA and the EEEP with officials in DG TREN and Greek MEPs. At the same time, Superfast Ferries was instrumental in the revival of the High Level Ferry Group within ECSA as an indirect channel of influence. Due to its long presence in Brussels, ECSA was perceived as a suitable vehicle for voicing the interests of coastal shipowners in the EU institutions. Concurrently, the international industry association Interferry was an additional source of resources and influence in shaping EU-level and domestic policy-making. The trade unions implemented analogous strategies, combining national means of influence with European mobilization in seeking to repeal Regulation 3577/92. Yet, at the EU-level the trade unions were largely reliant on the resources and connections of the International Transport Workers' Federation and in particular the European Transport Workers' Federation. Compared to the trade unions, the island communities developed a strong presence at the EU level. There was evidence of mobilisation through island and inter-island committees, public demonstrations and participation in European associations. Direct contact was established with DG TREN and Greek MEPs whilst indirect influence was pursued through Insuleur and the Islands Commission of the CPMRE.

Therefore, over the past decade the centrality of the Greek state in regulating the coastal shipping sector has been weakened. The constellation of formal and factual veto points opposing reform is reconfigured. The direct causation between EU

integration and the reform of the domestic institutional configuration cannot be unequivocally established. However, the EU was instrumental in triggering the process of reform, maintaining momentum in anticipation of January 2004 and altering the political opportunity structure for domestic actors. There was agreement that "...without external pressure the old system would not be still in place" (Interview with Director of Hellenic Institute of Transport March 2006, Interview with Shortsea Shipping Advisor to Mediterranean Cargo Vessels Owners Union March 2006). A new actor, the European Commission muscled into the political process, whilst existing actors were afforded additional opportunities in articulating their interests. Alongside the top-down effects of European integration, EU material and immaterial resources were made available to the domestic actors. Irrespective of their position on the liberalisation of coastal shipping, domestic actors recognised, legitimised and used the EU in shaping domestic coastal shipping policy. The pressures from the European Commission for the complete liberalisation of coastal shipping, combined with the responses of the domestic actors altered the state corporatist arrangement that prevailed for over three decades. The loosening of the preferential ties between YEN, and the coastal shipowners that held the operating licenses was evinced (Morlino 2002, Mouzelis and Pagoulatos 2002, Schmidt 1996). Rather, a more transparent arrangement emerged that fostered market competition and institutionalized the participation of a representative of the local communities in the CTC and the involvement of various levels of local government in the National Shipping Policy Council. This was attributed to the unitary nature of the state, its inability to exercise 'integrated leadership', the incongruence between EU and domestic policies, the limited capacity of coastal shipowners for capital mobility and the presence of an influential factual veto point in the form of the island communities.

Furthermore, some broader comments can be made on the patterns of change and continuity with respect to party politics and the political autonomy of island communities (Featherstone 2005, Lyberaki and Tsakalotos 2002, Featherstone and Kazamias 2001). The mode of party domination described as 'bureaucratic clientelism' is not prevalent in the coastal shipping sector. Rather than the governing party acting as a collective patron for the coastal shipowners who belonged to its active supporters, the holders of the licences remained fixed for almost three decades (Sotiropoulos 1993, Lyrintzis 1984). The impetus for reform was initiated at the EU level with the Express Samina accident serving as a catalyst. Notwithstanding affiliations with individual coastal shipowners, neither of two leading parties PASOK or New Democracy questioned the core principles of the system of licences. This was exemplified in the period of the EU negotiations preceding the adoption of Regulation 3577/92. Irrespective of the change in government in 1990, both the governments of PASOK and New Democracy negotiated hard at the EU level for the preservation of the domestic cabotage trades. This is partly attributed to the structural power of coastal shipowners but as importantly it unearths the autonomy of local politics. In the case of coastal shipping there is extensive evidence of local political autonomy initially with the establishment of people-based companies and subsequently with political mobilization that was divorced from political parties and central government. This offers an illustration of Greek civil society and local politics that may not be as vulnerable to state domination and party politics as theorised in the literature (Sotiropoulos 2004, Mouzelis and Pagoulatos 2002, Lyberaki and Tsakalotos 2002).

Chapter 6

Chapter 6: Greek Shipping, Maritime Safety and the EU

The Greek owned fleet is the largest in the world, corresponding to 3,397 vessels of various types and 16.1 percent of the world fleet deadweight (Lloyd's Register-Fairplay March 2006). It is estimated that Greek shipowners control 22.4 percent of the world oil tanker fleet and 24.6 percent of world bulk carrier fleet. Accordingly, Greek merchant shipping represents a substantial proportion of the national economy (Kefalogiannis 2005, Soumakis 1998, Harlaftis 1993, Freris 1986, Pantelidis 1979). It is estimated that foreign exchange earnings from shipping activities financed thirty-one percent of the deficit of the balance of trade, whilst generating 4.8 percent of the country's Gross Domestic Product (UGS Annual Report 2004 – 05). Aside from foreign exchange flows, the shipping industry is a source of employment, technology transfer and investments in other sectors such as energy, banking, insurance and tourism. At the same time, the shipowners maintain considerable capital mobility with the option of transferring their vessels away from the Greek flag.

Maritime transport is an inherently international industry, operating within a framework of transnational rules and regulations (Kumar and Hoffman 2002, Zacher 1996, Yannopoulos 1986, Farthing 1987). Beyond the internationally accepted standards, overly stringent regulation would place shipowners operating in a particular jurisdiction at a competitive disadvantage. Hence, the contribution to the national economy combined with the capacity of shipowners for capital exit, underpinned the state corporatist relationship between the industry associations of the Greek ocean-going shipowners, the UGS, the GSCC and the Greek state. Against this background, the EU increased its presence in the regulation of maritime safety and the

prevention of marine pollution. Particularly from the early 1990s with the establishment of a legal basis for EU transport safety regulation, several measures were adopted at the EU level. Two high-profile maritime accidents involving the single-hull vessels *Erika* and *Prestige* provided the catalyst for the European Commission to expand its regulatory authority. Amongst the initiatives pursued, the accelerated phasing-out of single-hull vessels and the establishment of criminal sanctions for ship source pollution were sternly opposed by the Greek shipowners. In the negotiations that ensued the European Commission was confronted with a constellation of formal and factual veto points spanning the national, regional and international levels. Drawing from these cases, the objective of this chapter is to analyse the impact of EU involvement in maritime safety regulation on the state corporatist arrangement encompassing the UGS, the GSCC and the Greek state.

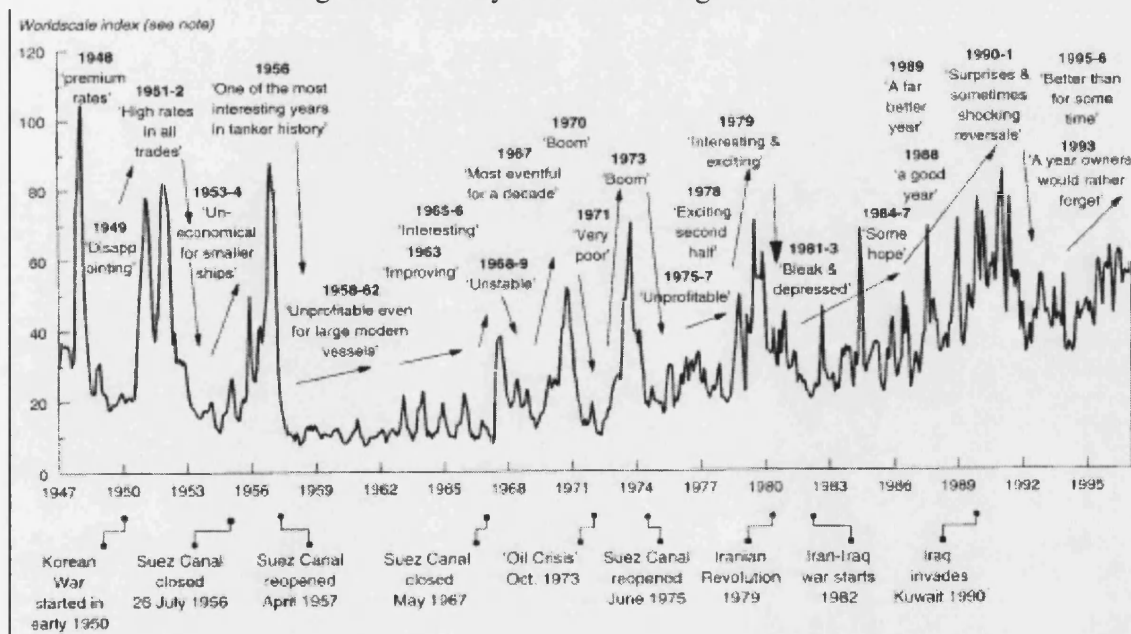
The chapter begins by outlining the international regulatory framework with particular reference to measures on the phasing-out of single-hull tankers and the designation of criminal sanctions for ship-source pollution. Although stringent regulations were adopted at the International Maritime Organisation (IMO), there were shortcomings in the consistent implementation and uniform enforcement of these measures. This was exemplified by the Oil Pollution Act 1990 (OPA '90) with the decision of the US administration to pursue unilateral measures in the phasing-out of single-hull tankers. Maritime accidents involving the single-hull tankers *Erika* and *Prestige* in EU waters provided the impetus for the European Commission to propose measures that departed from international maritime safety standards. As part of the EU response, the phasing-out of single-hull tankers and the designation of criminal sanctions for ship-source pollution were the most contentious for Greek shipowners. The chapter analyses the

usage of EU material and immaterial resources by the Greek shipowners in seeking to amend the European Commission proposals. Concurrently, as EU competence grew in maritime safety, the domestic impact of Europeanisation on the relations between the Greek ocean-going shipowners and the state is examined.

6.1 Ocean-going Shipping and the Greek economy

The ocean-going shipping industry is a vital link in international trade, with ocean-going vessels representing the most efficient and often the only method of transporting large volumes of basic commodities and finished products. The industry is highly fragmented into numerous operators with small fleets. The price for transporting commodities, referred to as freight rates, is set in highly competitive markets and is determined through the interaction between demand and supply of tonnage. Indeed, the freight markets satisfy several features of the perfect competition model. The market consists of a large number of participants, the service is homogeneous, entry and exit barriers are low and information dissemination ensures a high degree of transparency. Notably, the industry is cyclical with attendant volatility in charter hire rates and profitability. The inherent cyclicity of the tanker segment is displayed in the graph below (Stopford 1997):

Figure 6: History of Tanker Freight Rates



Throughout the post-war years, the Greek shipowners have maintained a prominent position in the international seaborne transportation of raw materials, both dry (coal, iron ore and grain) and wet cargoes (crude oil). In 1956 Greek-owned vessels accounted for 15 percent of the total tanker fleet in terms of capacity (Strati 1997). At the time, the closure of the Suez Canal resulted in an expansion of ton-miles with demand outpacing available tonnage, bolstering the profitability of Greek shipowners. For the following decade, in the context of favourable macro-economic conditions, the Greek shipowners expanded their fleets, contributing to a sizeable orderbook. However, due to the combination of over-supply and reduced demand during the 1970s (primarily related to the oil crises), the business activities of the Greek shipowners were adversely affected. Despite a temporary recovery in the early 1980s, the shipping industry underwent the most pronounced crisis of oversupply in the second part of this decade. Between 1981 and 1988, it is estimated the Greek owned merchant fleet declined from 70 million dwt to 33 million dwt. Subsequently, the fleet has steadily grown, reflecting the vicissitudes of the global economy.

As of early 2006, the Greek owned fleet was the largest in the world, corresponding to 3,397 vessels of various types and 16.1 percent of the world fleet deadweight (Lloyd's Register-Fairplay March 2006). It was estimated that Greek shipowners controlled 22.4 percent of the world oil tanker fleet and 24.6 percent of world bulk carrier fleet. The Japanese-owned fleet was the second largest, numbering 2,945 vessels and representing 14 percent of global capacity, while Germany's was third with 2,615

ships and 6.9 percent of total capacity (UNCTAD 2005, OECD 2004). Within the context of the EU, Greek owned vessels flying EU member state flags amounted to 51.5 percent of EU tonnage in deadweight (UGS Annual Report 2004 – 05). As a result, it was estimated that the Greek shipping segment contributed 4.8 percent to Greece's Gross Domestic Product (GDP) (UGS Annual Report 2005-06, Skordilis 2007).

Figure 7: Greek-owned fleet (no. of vessels)

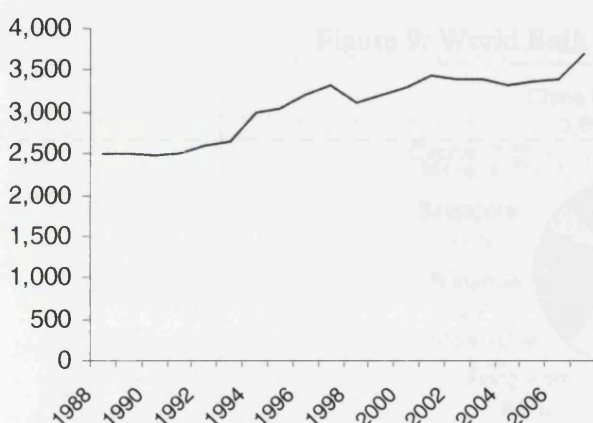
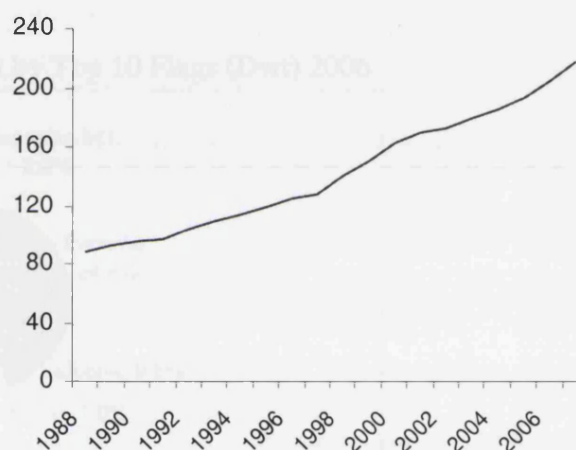


Figure 8: Greek-owned fleet (Dwt MM)

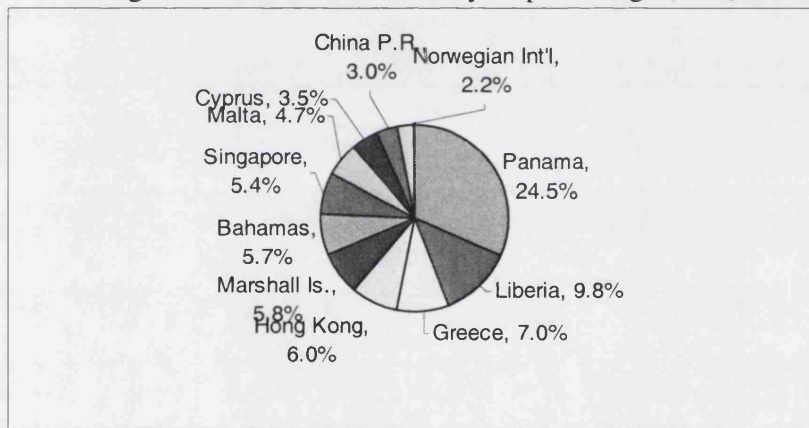


Source: Fairplay-Lloyd's Register March 2006, Hellenic Chamber of Shipping 2006.

Moreover, through mid-2007 this prominence was set to continue as Greek shipowners expanded their fleets either through the purchase of second-hand vessels or by placing orders for newbuildings. Over the first months 2007, it was estimated that the Greek owned fleet rose to 3,699 vessels, aggregating 218 million deadweight tons. Furthermore, a substantial portion of the global orderbook comprised newbuilding orders that were made by Greek shipowners. Illustratively, it was assessed that Greek shipowners had placed orders for 612 vessels totalling 45 million dwt. The new orders for 2007 represented 9.2 percent (vs. 7.2 percent in 2006) of the total number of vessels ordered and 15.2 percent of additional deadweight capacity

(11.2 percent in 2006) (survey by Lloyd's Register-Fairplay as quote in *Kathimerini*, March 2007). Moreover, a portion of the ordered vessels were registered with the Hellenic Register with the corresponding fleet rising to 969 vessels in comparison to 910 vessels in 2006. The remaining vessels were registered with the other flags that are preferred by the Greek shipowners, notably an additional 83 with the Panama register (total of 583 ships), 71 with Malta (502 vessels), 51 with Liberia (361 vessels) and 51 with Cyprus (360 vessels). Hence, the Hellenic register was third amongst the flags that benefited from the expansion in the Greek fleet.

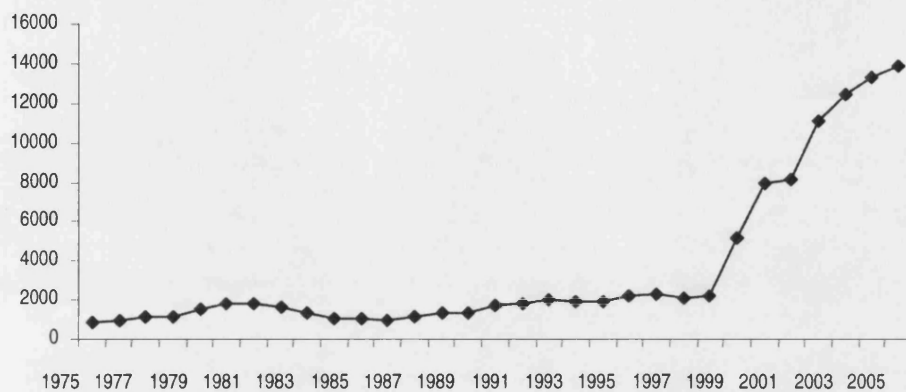
Figure 9: World Bulk Fleet by Top 10 Flags (Dwt) 2006



Source: Clarkson Research Studies

Another aspect of the contribution of Greek shipping on the national economy is related to foreign exchange income (Kefalogiannis 2005, Soumakis 1998, Harlaftis 1993, Freris 1986, Pantelidis 1979). It was estimated that foreign exchange earnings from shipping activities financed thirty-one percent of the deficit of the balance of trade, whilst generating 4.8 percent of the country's Gross Domestic Product (UGS Annual Report 2004 – 05).

Figure 10: Foreign Exchange Earnings from Shipping (\$US Millions)



Source: Hellenic Register of Shipping 2004.

Aside from foreign exchange flows, the shipping industry is a sizeable source of employment, with an estimated 100,000 employees and workers in Greece, representing 3% of the total workforce employed in shipping-related sectors as of early 2006. Indicatively, in excess of 18,000 are employed as officers and sailors on Greek-owned vessels, 10,000 in shipping companies with headquarters in Greece and the remainder in related segments such as shipbuilding, ship repairs, ship management, insurance, legal services and banking. Furthermore, there are indirect effects on the Greek economy which cannot be measured with accuracy in the form of foreign direct investment in other sectors of the economy such as media, energy, banking, insurance and tourism.

6.2 International Regulation of Maritime Safety

Maritime safety was historically regulated at the international level, underpinned by the principle of self-regulation. There was a plethora of regulations adopted and enforced by international intergovernmental organisations, shipowners, classifications societies, P&I Clubs, shipyards, flag states and port authorities. It was acknowledged that the international nature of shipping required a set of uniform international laws and regulations. The IMO emerged as the foremost forum for the negotiation and adoption of maritime safety legislation. Nonetheless, there was a tendency for regulatory action to trail behind major maritime accidents (Kumar and Hoffman 2002, Haralambides 1998, Zacher 1996, Yannopoulos 1989, Stevens 2004: 135).

The principal driver of dry bulk and tanker shipping markets was cost rather than quality. Adverse market conditions and tonnage overcapacity for most of the 1980s discouraged shipowners from investing in newbuildings (Nomikos and Alizadeh 2002, Stopford 1997, Stokes 1997). This combination of regulatory and commercial factors resulted in a number of high-profile maritime accidents, culminating in approximately 450,000 tonnes of oil spills from tankers in 1991. Thereafter the age and quality profile of the tramp shipping fleet improved with the number of accidents and oil spillages in steady decline. For most of this period, the Greek shipowners primarily operated second-hand and older tonnage (Polemis 1995). Rather than order newbuildings, the Greek owners were known for their timing in purchasing second-hand vessels during the shipping market cycles (Harlaftis 1996, Harlaftis 1995, Thanopoulou 1994). According to one commentator, "...purchasing second-hand vessels has been the backbone for a large segment of Greek shipowners" (Harlaftis

1995). Initially a handful of operators foresaw that quality tonnage would be an important differentiator in an increasingly stringent regulatory environment (Christou 2004, Lyras 2000, Harlaftis 1996). These shipowners departed from the traditional family model by adopting modern corporate structures and seeking public listings in international stock markets to raise financing for newbuildings (Efthymiou 2005, Parker 2004, Grammenos and Choi 1999).

6.2.1 MARPOL and ship-source pollution

In March 1967 the 8-year old supertanker *Torrey Canyon* ran aground off the coast of the United Kingdom, spilling its entire cargo of 120,000 tonnes of crude oil into the sea. This became a catalyst for the adoption of several conventions by the IMO addressing the legal and operational problems exposed by the accident. In 1973 the IMO adopted the International Convention for the Prevention of Pollution from Ships (MARPOL) covering both accidental and operational pollution. Yet again in March 1978 the four-year old tanker *Amoco Cadiz* ran aground off the coast of France spilling 227,000 tonnes of crude oil. This instigated an amendment to MARPOL with the adoption of the principle of port state control (PSC), underpinned by the concept of “no more favourable agreement” whereby port states enforced legislation to which the flag state was not a contracting party (Nordquist and Moore 1999, Horrocks 1999, Manakabady 1986, Henry 1985, Mankabady 1984).

The MARPOL 73/78 Convention stipulated stringent conditions for ship-source discharges at sea. The stringency was heightened in the instances of discharges in ‘special areas’ of the sea such as the Baltic Sea, the Mediterranean and the North Sea. The Convention made a distinction between pollution originating on the one hand

from deliberate ('operational') ship-source and on the other hand, from maritime accidents. Deliberate ship-source pollution involved oil, sewage and garbage which were discharged in the sea during the operation of a vessel. The cause of pollution by deliberate discharges was prohibited with the exception of instances of damage to the vessel or its equipment if neither the owners nor the master acted intentionally or recklessly and failed to take all reasonable precautions to prevent or lessen the pollution. Despite the provisions of MARPOL 73/78, pollution by deliberate discharges did not subside in the intervening decades with a small proportion of polluters being prosecuted. This was primarily attributed to the inability of the IMO to ensure the implementation and enforcement of provisions agreed at the international level. In conjunction, other reasons cited were the absence of appropriate waste reception facilities in ports, the lack of mechanisms to trace discharges to a specific vessel and the lenient sanctions imposed once the polluters were identified and convicted (Coleman 1998).

Within the parameters set by international legislation, the European Commission pursued several initiatives to decrease the occurrence of deliberate ship-source pollution that materialised into provisions within three Directives (Interview with Head of Maritime Transport Policy & Maritime Safety European Commission April 2006). Within the context of port-state control, Directive 21/95 stipulated that the documentation inspected on vessels should include oil and other record books. In case of inconsistencies or doubts, the port authorities were allowed to conduct further inspections or even proceed with detaining the vessel (Council Directive 21/95). Subsequently, Directive 59/00 specified a set of rules for deliberate discharges of vessels calling at EU ports. These encompassed the establishment of adequate waste reception facilities at EU ports and in parallel requirements for the vessels to make

use of the facilities for deliberate discharges (Lyons 2000: 145). With the traffic monitoring Directive (59/02) the purpose was to strengthen the availability of information on the vessels and cargoes beyond transported through the waters of a coastal state. The Directive involved procedures for identifying illegal ship-source discharges and the follow-up measures of the EU member states (Directive 59/02).

6.2.2 The *Exxon Valdez* and phasing-out of single hull tankers

In March 1989 the three-year old tanker *Exxon Valdez* ran aground on a reef off the Alaskan coast, spilling 38,800 tonnes of crude oil in the sea. Responding to the media publicity and public outcry the United States proceeded with unilateral measures, departing from the international regulatory framework. It was maintained that international standards on the prevention of marine pollution were inadequate and pushing forward for more stringent regulation at the IMO would be a long process requiring arduous negotiations. Rather, with the Oil Pollution Act of 1990 (OPA 90) the oversight of oil transportation by the Federal government was raised substantially by setting requirements on vessel construction and operation, crew licensing and manning. Foremost, it was stipulated that single-hull tankers were to be phased-out by 2015. Commencing from this date, single-hull tankers would be prohibited from entering US waters. The phasing-in of double-hull tankers rested on the premise that surrounding the cargo tanks with a second inner plate would reduce the possibility of the cargo tanks being damaged and the risk of marine pollution (OCIMF 2003, Goulielmos 2001, Wood 1995).

Although a piece of national legislation, OPA 90 had regulatory repercussions across the world (Interview with Director-General of Danish Maritime Authority April 2006, Interview with Head of Policy and Planning Unit International Maritime Organisation

March 2006, Interview with Vice-Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Chairman of Lloyd's Register March 2006). In 1992 the IMO agreed on an amendment to MARPOL adopting a similar phasing-out timetable that culminated in 2026. According to the amendment, tankers of 5,000 dwt and above that were ordered after July 1996 were required to be fitted with double hulls or an alternative design approved by the IMO (IMO 1998). Single-hull tankers above 20,000 dwt that were delivered before July 1996 were required to comply with the double-hull provision from the age of twenty-five or thirty, depending on whether these vessels were fitted with Segregated Ballast Tanks (SBT). The discrepancy between OPA 90 and the MARPOL amendment entailed that single-hull vessels prohibited from operating in the US waters were allowed to trade in other parts of the world, including the European Union.

Against the background of the *Exxon Valdez* and the MARPOL amendment, two large accidents in EU waters reinforced pressures for the tightening of maritime safety regulation and the prevention of prevention of sub-standard shipping. In December 1992 the double-hull tanker *Aegean Sea* ran aground off the Spanish coast spilling 70,000 tonnes of crude oil. Within weeks in January 2003 the tanker *Braer* ran aground close to the Shetland Islands in the United Kingdom spilling a total of 84,700 tonnes of crude oil. The accidents coincided with the European Commission's Communication on *A Common Policy on Safe Seas* that was issued in January 2003 (CEC Com 66/93). At the same time, the Treaty of the European Union had established a legal basis for EU regulation of transport safety. In accordance with Article 71, the EU was authorized to adopt 'measures to improve transport safety'. In the European Commission's Communication the maritime safety trends in international shipping were analysed, indicating national variations in the numbers of

lost vessels and deficiencies during inspections. These shortcomings were attributed to the loose implementation and enforcement of international rules (CEC Com 66/93, Roe and Selkou 2004: 81, Stevens 2003: 135, Lalis 2000). Given the variation in the implementation and enforcement of internationally agreed regulation, the European Commission maintained it was 'uniquely placed' to ensure that standards were applied in a uniform manner by the EU member states (CEC Com 66/93). Hence, the Communication stipulated a package of measures encompassing four main areas, the convergent implementation and uniform enforcement of existing international legislation by the EU member states, the strengthening of port-state control of vessels, the improvement of maritime traffic infrastructure and promotion of the IMO objectives. In tandem, measures were envisaged for the strengthening of EU member state flags through incentives in the form of the state-aid guidelines (Braithwaite and Drahos 2000, Haralambides 1996b). A number of EU legislative initiatives followed establishing common standards for ship inspections and classification societies (Directive 57/94), harmonising inspection and detention practises of vessels calling at EU ports (Directive 21/95), stipulating the hours of work of seafarers (Directive 63/99) and setting the minimum training of officers on EU-flagged vessels (Directive 25/01). Moreover, Regulation 2978/94 in encouraging the wider employment of double-hull tankers in the EU waters, provided incentives in the form of lower port and pilotage dues.

In sum, the international nature of the shipping industry necessitated the adoption of maritime safety regulation at the international level. The IMO had emerged as the foremost venue for the negotiation and adoption of maritime safety regulation. However, the adopted legislation was neither implemented consistently nor enforced

uniformly. In the words of one commentator, at the international level “...regulations are cumbersome to design, easy to circumvent and extremely difficult to police” (Haralambides 1996: 12). In spite of a stringent set of international rules on deliberate and accidental discharges by vessels, there were shortcomings in implementation and enforcement coupled with inadequate waste reception facilities in EU ports. In parallel, OPA 90 established a precedent in the adoption of unilateral measures by phasing-out single-hull vessels from the US waters. This instigated negotiations at the IMO and the eventual adoption of a comparable yet of longer duration timetable on single-hull vessels. As a result, ‘windows of opportunity’ were emerging for the European Commission to expand the competence of the EU in the regulation of maritime transport safety.

6.3 The Phasing out Single-Hull Tankers

In the aftermath of the *Exxon Valdez* accident the US administration adopted OPA 90 with the objective of phasing-out single-hull tankers in US waters by 2015. It was maintained that double-hull tankers would reduce, if not eliminate marine pollution following maritime accidents. At the same time, by endorsing national measures, the US circumvented the IMO as the foremost venue for international maritime safety policy-making. Resting on this precedent, in ensuing IMO negotiations a comparable timetable for the phasing-out of single-hull tankers was agreed culminating in 2026. However, within the European Commission there were concerns that the vessels prohibited from operating in US waters would be trading in the EU. Two high profile maritime accidents involving single-hull vessels in the EU waters, the *Erika* and the *Prestige* offered an opportunity to the European Commission to pursue the

accelerated phasing-in of double-hull tankers in the EU. With approximately three hundred single-hull vessels under their ownership, the Greek ocean-going shipowners actively engaged at the national and European levels in opposing the European Commission initiatives.

6.3.1 The *ERIKA* accident

The design of oil tankers proved to be highly controversial. As with other segments of the industry, a maritime accident was the catalyst for the adoption of regulation. On the twelfth of December 1999 the 25-year old, single-hull oil tanker *Erika* chartered by Total-Fina-Elf broke in two off the southern tip of Brittany, France. Salvage tugs began the operation of towing the two hull sections further away from the coast. However both sections sank on the thirteenth of December. Approximately 10,000 tonnes of the 30,000 tonnes of heavy fuel oil it was carrying were spilt, polluting 400 kilometres of coastline. The environmental impact of the accident received considerable publicity and strong statements by the French government. The French President Jacques Chirac declared that it was not acceptable for society and the environment to “bear the brunt caused by rampant pursuit of profit...by shipowners” (*Lloyd’s List* January 21, 2000). The Transport Minister announced that France would be campaigning at the EU and IMO for the rapid elimination of single-hull vessels from EU territorial waters and ports and indicated that operators should be made liable for environmental pollution. Similarly, the European Parliament with a Resolution and the Council called on the European Commission to take immediate and effective action to prevent the recurrence of such a maritime accident. The prevailing attitude within the EU institutions was ‘zero tolerance’ on safety measures

and vessel inspections (European Parliament Resolution on Improving Safety at Sea 2235/2003, Council Conclusions 15626/December 2002).

In March 2000 the Commission prepared a set of proposals that became known as the 'Erika I package' (CEC COM 142/2000). In December 2000 the 'Erika II package' was proposed primarily involving the establishment of the European Maritime Safety Agency to assist in the implementation of EU legislation (CEC COM 802/2000). A set of short term measures were proposed including the strengthening of the existing Directive on Port state Control with the intention of increasing the number of vessels inspected and producing a blacklist of vessels that were refused access. In addition, there were proposals to strengthen the existing Directive on the activities of classification societies when conducting safety checks on ships for flag states. Most importantly, the measures entailed the acceleration of the phasing out of single-hull tankers for vessels flying the flag of an EU member state and as a condition for entering EU ports. Departing from existing IMO legislation that proscribed the phasing-out of single-hull vessels by 2026, the European Commission compressed the timetable to 2015. Concurrently, financial incentives were proposed in the form of discounted port and pilotage dues for double-hull vessels. Moreover, it was acknowledged that additional research was required in assessing the social and economic impact of the phasing-out of single-hull vessels. Yet, the European Commission maintained that in comparison to the costs arising from major accidents as in the *Erika*, it would be "...a reasonable price to be paid to ensure an effective reduction in the risks of pollution" (CEC COM 142/2000).

From the perspective of the European Commission the *Erika* highlighted weaknesses in the existing IMO regulatory framework, involving inadequate class control, absence of transparency and an international system that could implement rules (Djonne 2006). In the justification of the proposals, the European Commission cited the deficiencies of the IMO framework, particularly in relation to stringent US legislation, adverse market trends and the technical superiority of double hull tankers (CEC COM 142/2000). First, it was argued that unless EU and IMO legislation were aligned with the timetable proscribed by US legislation (OPA 90), vessels that were prohibited from US territorial waters would be operating on EU trades. In the words of the TEN European Commissioner, the EU would receive "...all the rust buckets that will be prohibited from US waters" (de Palacio June 2000). Second, the prevailing business practice for independent shipowners was splitting their fleets into single-ship companies which were registered on offshore locations. Although this was carried out for tax reasons, it complicated the identification of the owner responsible for the safety standards of the vessels. Third, the spot market for chartering vessels did not differentiate between young and old tonnage, with freight rates often determined by low cost yet older tonnage, jeopardising safety standards. Fourth, the majority of the vessels in operation were designed with a single-hull, with the bottom and side plating separating the cargo from the sea. In case of grounding or collision, the risk of the cargo being discharged into the sea was considerable (CEC COM 142/00). Following the *Erika* accident, due to the political pressures from certain EU member states, the media and the public, the European Commission hastened the internal process for the adoption of proposals. Within weeks of the accident, in January 2000 DG TREN prepared a dossier, commenced consultation with industry representatives and allowed two weeks for comments. As the consultation process

was compressed, industry contribution was limited with the respective associations concentrating their lobbying efforts on the policy-making stages following the adoption of the European Commission proposals (Interview with Vice-Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Secretary of International Chamber of Shipping February 2006).

In the immediate aftermath of the Erika accident, the Greek shipowners responded by utilising EU material and immaterial resources in shaping the EU policy-making process. During the deliberative stage, Greek shipowners used EU resources in a cognitive way by communicating and disseminating their interpretation of the Erika accident (Interview with Chairman of the Greek Shipping Cooperation Committee March 2006). The GSCC and the UGS communicated directly with DG TREN and MEPs to provide possible explanations for the causes of the accident and proposals for improving regulation (Lyras 2000, Embirikos 2000, *Naftemporiki* March 3, 2001). The primary objective of the Greek shipowners was to counter the prevailing interpretation within EU institutions that the accident occurred because firstly, the Erika was a single-hull tanker and secondly, due to the old age of the vessel. Drawing from technical research the GSCC underscored the risks arising “...by accelerated corrosion in pre-MARPOL tankers, which had been converted to MARPOL requirements, when carrying heated cargoes adjacent to converted and uncoated ballast tanks” (Interview with Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Director of Hellenic Chamber of Shipping May 2006). Subsequently, the UGS and the GSCC met to discuss and coordinate their response to the European Commission’s initiatives. In March 2000 in a joint statement, the two associations declared that political expediency should not dictate regulatory reform. In

the words of the UGS President "...political expediency triumphed, the master of the vessel who managed under very difficult conditions to at least save his crew was imprisoned for his pains and the whole tanker industry was condemned for the failure of one products carrier of admittedly questionable pedigree which had been chartered, however, by a major oil company with its own extensive vetting system" (Lyras 2000). The Greek shipowners affirmed that the IMO was the appropriate venue for the adoption of maritime legislation and regional measures should strengthen but not depart from international regulations (UGS-GSCC Joint Statement March 28, 2000). However, there was concern that the adoption of the 'technically unsubstantiated' and 'hastily formulated' proposals by the European Commission would undermine the effectiveness of IMO regulation on maritime safety. According to the UGS and the GSCC, existing technical research had not validated the interpretation of double-hull tankers being safer vessels. In tandem, there was an absence of evidence suggesting a correlation between the age of a vessel and the occurrence of maritime accidents (Interview with Director of Hellenic Chamber of Shipping May 2006, Interview with Marine Operations Manager of Shipping Company March 2006). In converse, maritime safety was linked to the condition of a vessel as a result of regular maintenance and infrequent changes in its ownership. Moreover, it was estimated that approximately three-hundred Greek-owned vessels that were in good condition would be withdrawn and three-thousand jobs would be lost (*Naftemporiki* July 4, 2000, *Naftemporiki* June 15, 2000,). Hence, if the EU were to adopt the accelerated phasing-out of single-hull tankers, a large number of vessels would be removed from EU member ship registries, further eroding the competitiveness of Community shipping.

In obtaining influence within the Council of Ministers, the relationship between the Greek shipowners, the Greek government and YEN was central. This coincided with the appointment of a new YEN Minister who had exposure to EU policy-making as a previous member of the European Commission. This was interpreted as the intention of the Greek government to upgrade the respective Ministry (*Naftemporiki* May 11, 2000). At the same time, the Bureau of Parliamentary Deliberation (Γραφείου Κοινοβουλευτικής Εργασίας, GKE) was formed within YEN to monitor the deliberation of maritime transport issues at the Hellenic Parliament and the European Parliament in coordination with the Greek Permanent Representation to the EU. After consultation with the UGS and the GSCC, YEN adopted identical positions affirming the centrality of the IMO over regional measures and renouncing the adoption of hasty measures that could undermine the competitiveness of Greek and European shipping. Although broadly in favour of the intensification of port state controls and the central auditing of classification societies, YEN was opposed to the acceleration of the phasing-out of single-hull tankers in correspondence to the OPA 90 timetable (Minutes of the Hellenic Parliament Sessions February 25 2000). In a memorandum sent to the European Commission YEN emphasised the need for a globally acceptable and practical solution to the phasing-out of single-hull tankers (YEN Memorandum September 2000). It was argued that this issue should not be divorced from broader considerations on the competitiveness of the EU fleet and the employment of seafarers. It was noted that approximately fifty-five percent of the EU tanker fleet was Greek-owned and 278 vessels fell into the scope of the proposed measures. In addition, expanding the phasing-out schedule to vessels outside the scope of MARPOL would adversely impact Greece's fleet of smaller tankers. It was estimated that 156 single-hull tankers under 5,000 dwt were transporting twenty-two million

tonnes of oil products annually to over seventy Greek islands (YEN Memorandum September 2000). According to the YEN Minister the strategy of Greece was through alliances to form a core of EU member states with shared positions. In his words “our logic are the interests of Greek shipping within the European context, our compass is the competitiveness of Greek shipping and our purpose is to prevent the adoption of adverse decisions at the European level” (Papoutsis YEN Press Conference May 2000). Amongst the EU member states, the Netherlands emerged as the main ally with the Dutch Minister of Transport stating the importance of coordinating efforts at the EU level (*Naftemporiki* May 25, 2000).

Aside from direct contacts with European Commission officials, MEPs and YEN, the Greek shipowners mobilized indirectly through the international shipping associations (Interview with Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Member of the Greek Shipping Cooperation Committee Council March 2006). A number of organisations presented positions that were consistent with the interests of the Greek shipowners, including the International Chamber of Shipping (ICS), the Baltic and International Maritime Council (BIMCO), the Oil Companies International Marine Forum (OCIMF) and the Alliance of Maritime Regional Interests in Europe (AMRIE). The OCIMF was particularly active in lobbying the EU institutions as the Erica vessel was chartered by Total-fina-Elf which one of its members (Interview with Director of Oil Companies International Marine Forum March 2006, OCIMF Comments May 2000). Nevertheless, for the Greek shipowners, the first port of call in the representation of industry interests at the EU level was the European Community Shipowners Associations (ECSA). This would allow for the coordination of the responses of national shipowner associations to the

European Commission proposals. Indeed, alongside the UGS and the GSCC, several national shipowner associations, including the Netherlands Shipowners Association (KVNR), Swedish Shipowners' Association (SSA) and Norwegian Shipowners' Association (NSA) declared their opposition to the European Commission's intention to adopt regional measures. The priority for ECSA was to ensure that the EU adopted measures that were both practical and consistent with international standards (Interview with Executive Advisor of European Community Shipowners Association March 2006, ECSA Annual Report 2001/2002). Certainly, it was recognised that the EU had an important role in ensuring maritime safety through "... vigorous, effective and uniform enforcement within the EU of the internationally agreed rules and regulations" (Pontopidan 2001).

Alongside ECSA, the other major international industry association representing the interests of shipowners was Intertanko. This association had in place a strategy to interact constructively with the European Commission, European Parliament and Council of Ministers according to the stage of the policy-making process Djonne 2006, (Intertanko Annual Review 2001). As with the Greek shipowners' industry associations, the prime objective of Intertanko was convincing the EU that regulatory reform should be pursued at the IMO and not through unilateral regional measures (Interview with Manager of Intercargo March 2006). Meetings were organised with high level European Commission officials at DG TREN and DG Environment, notably a meeting between the Chairman of Intertanko and the TEN Commissioner Loyola de Palacio. Similar direct discussions were held with members of the European Parliament Committee on Transport. Illustratively, with the purpose of presenting the importance of the tanker industry for the European economy and

promoting the positions of the industry, Intertanko organised a joint workshop in the European Parliament in December 2001. In the words of the Managing Director of Intertanko, "...it is very difficult for the international shipping industry to pursue the improvement of safety standards when at the same time the EU promotes measures out of political expediency rather than technical merits" (*To Vima* April 22, 2000).

Subsequently, the Council of Ministers discussed the European Commission proposals in March and June 2000 (Council Meeting PRES/00/24). The lobbying efforts of the Greek shipowners and industry associations combined with pressure from Greece and several EU member states was engendering a consensus within the EU that the IMO was the appropriate venue for putting forward proposals on the single-hull tankers. This was affirmed in an Opinion issued by the European Economic and Social Committee (EESC) in October 2000 (EESC TEN/041). Amongst the Greek civil society organisations with membership in the EESC, the UGS had permanent representation in the EESC Transport and Energy Committee (TEN) since 1981.³¹ According to the EESC Opinion double-hull tankers "...do not constitute a panacea" in preventing the occurrence of large maritime accidents. Additional research in the technical merits of the proposed ship design as well as a better understanding of the social and economic impact of phasing-out single-hull tankers were required. Moreover, it was reinstated that the international level through the IMO was the suitable venue for deliberating and adopting regulations on shipping. Explicitly, the European Commission was urged to "...to coordinate the position of Member States within IMO with a view to achieving the revision of the MARPOL Convention so as to introduce a realistic and practicable acceleration of the current phasing-out schedule" (EESC Opinion TEN/041 2000).

³¹ The UGS is represented by its Director of International/EU Affairs, Anna Bredima-Savopoulou.

Indeed, in October 2000 the Council of Transport Ministers decided on a common approach to the accelerated introduction of double-hulled tankers. This was accomplished after reaching a compromise between France proposing for phasing-out in correspondence with OPA 90 and Greece arguing for a slower timetable (*Lloyd's List* September 21, 2000). This would be promoted by EU member delegations and European Commission representatives at the upcoming meeting of the IMO Marine Environment Protection Committee (MEPC) in October 2000 (Council Meeting PRES/00/347). However, the European Commission and France pressed for the inclusion in the Council decision of a caveat that could undermine the lobbying efforts of the shipping industry. If the IMO reached an agreement on the proposed amendment at the MEPC meeting scheduled for April 2001, the Council of Ministers would immediately transpose it into EU law. By contrast, if the IMO negotiations were inconclusive, the Council of Ministers pledged to proceed with speeding up the phasing-out of single-hull tankers in accordance with opinions of the European Commission and the European Parliament. Following the Council meeting this was reiterated by the TREN Commissioner who stated "...I hope we have a quick response from IMO...if there is a failure in the IMO . . . the EU will go ahead with regional proposals" (*Lloyd's List* October 3, 2000).

At the IMO MEPC October meeting, the formal proposals for amendments to MARPOL (Regulation 13G) were jointly submitted by France, Belgium, Germany and Spain. Concurrently, an informal submission was prepared by Denmark, the Netherlands and the United Kingdom with moderate suggestions from Greece and Norway. The proposals accelerated the existing timetable by bringing forth the dates for phasing-out single hull tankers as well as expanding the categories of oil tankers

that were covered. In the negotiations that ensued, a schedule similar to OPA 90 was agreed upon, yet stipulating longer dates.³² It was maintained that the final compromise was designed by the Greek permanent delegation after considerable consultation between the latter and the MEPC (*Lloyd's List* November 1, 2000). Although the Greek shipowners were content with the revised timetable there were concerns on the details of the phasing-out with respect to dates and required surveys (Embiricos 2000). Nonetheless, these differences were ironed out and in the April 2001 meeting of the MEPC, the revised MARPOL Regulation 13G was adopted setting out a stricter timetable for the phasing-out of single-hull tankers and designating the year 2015 as the principal cut-off date for all such vessels (*See Table 1*)(IMO 2005a, IMO 2005b, MEPC 2001).

Table 5: Revised MARPOL Regulation 13G (MEPC April 2001)³³

Single-Hull Vessel	USA OPA 90	MARPOL	Commission Proposal	MARPOL (April 2001)
<i>Category 1</i>	2010	2007/2012	2005	2005/2007
<i>Category 2</i>	2010/2015	2026	2010	2010/2015
<i>Category 3</i>	2015	No Deadline	2015	2015

In December 2001 the European Council and the European Parliament adopted Regulation 417/02 on the accelerated phasing-in of double-hull vessels. The

³² The draft text was agreed upon the in IMO inter-sessional group meeting that was held in January 2001.

³³*Category 1*: Crude oil tankers of 20.000 tonnes dwt and above and oil product carriers of 30.000 tonnes dwt and above not equipped with segregated ballast tanks(SBT). End phase out date: 2007. May only operate beyond 2005 if it has successfully passed a Condition Assessment Scheme. *Category 2*: Crude oil tankers of 20.000 tonnes dwt and above and oil product carriers of 30.000 tonnes dwt and above equipped with segregated ballast tanks (SBT). End phase out date: 2015. May only operate beyond 2005 if it has successfully passed a Condition Assessment Scheme. *Category 3*: Crude oil tankers of 5.000-20.000 tonnes dwt and oil product carriers of 5.000-30.000 tonnes dwt. End phase out date: 2015.

Regulation transposed the MARPOL amendment, stipulating the gradual phasing-out of single-hull vessels and from 2015 the complete ban on vessels flying EU member state flags or seeking access to EU ports. The constellation of actors involved in the negotiations leading to this outcome stated their contentment. The Greek shipowners and the industry associations were content that unlike the initial intentions of the European Commission, unilateral measures at the regional level were prevented. Through coordinated efforts with national and international industry associations and the use of EU material and immaterial resources, the negotiations for the amendment of MARPOL were transferred to the IMO as the suitable international venue (UGS Annual Report 2001-02, GSCC Annual Report 2001-02). The outcome of the IMO negotiations was not optimal but according to the Chairman of the GSCC "...the compromise at the IMO was a liveable outcome, whereas what the European Commission proposed was not" (*Lloyd's List* November 22, 2001, *Lloyd's List* November 1, 2000). However, in spite of use of EU resources in cognitive ways, the Greek shipowners were unable to persuade the European Commission on an alternative interpretation regarding the causes of the Erika accident. Within the EU institutions, the prevailing premise was that ship design and age were the primary causes of maritime accidents. Concurrently, the relationship between the Greek shipowners and YEN was strengthened after a period of distancing in the preceding years. YEN and the Greek government were valuable points of entrance in the Council of Transport Ministers and the European Council. In addition, YEN articulated the interests of the UGS and the GSCC and sought coalitions with likeminded EU member states. Similarly, ECSA and Intertanko maintained that the objectives of the shipping industry were met (Interview with Executive Advisor of European Community Shipowners' Association March 2006). Central to the

favourable outcome was the decision of the EU institutions and member states to seek an international solution and use their collective influence in ensuring this within the IMO (ESCA Annual Report 2001/02, Intertanko Annual Review 2001). This approach was encapsulated in the following statement by the IMO Secretary General, “...the adoption of the proposed amendments to MARPOL regulation 13G reaffirms IMO’s position as the proper forum for dealing with complex technical, economic and political issues concerning international shipping” (O’Neil IMO Briefing 2001). Moreover, through the policy process, the European Commission was able to increase its presence in the international regulation for maritime safety. Rather than following developments as in the case of OPA 90, the European Commission was the driving force in the acceleration of the phasing-out of single-hull tankers at the international level. According to the TREN European Commissioner, the EU “has made it possible for such an international decision to be taken rapidly, we can be proud of what we have done since it was decisive in achieving this final result which is very close to our own position” (European Commission Press Release IP/01/633).

In sum, the sinking of the Erika in December 1999 was a turning point in the role of the EU in the regulation of maritime transport safety. The eagerness of the European Commission to expand its regulatory presence in maritime safety could be traced back to the *Braer* accident in 1993 (Intertanko Annual Review 2001, NSA Annual Report 2001). Intertwined with pressures from the public, media and national politicians, the Erika became an opportunity for the European Commission to flex its muscles and demonstrate its capacity to shape the international shipping agenda. In addition, the European Commission claimed to have converted the EU in to the first genuine maritime safety region, guaranteeing protection for European citizens and the

environment (de Pallacio June 2002). The Greek shipowners responded by utilising EU material and immaterial resources and exerting indirect influence through the Greek state and international associations. Direct contact was established with European Commission DG TREN and DG Environment officials and members of the European Parliament Transport Committee. Shipping interests had a long history of associability beyond the national level and the Greek shipowners were in a position to tap into the expertise, networks and resources of ECSA and Intertanko. The capacity of this actor constellation to shape policy outcomes was demonstrated in shifting the European Commission's emphasis towards the IMO and international negotiations. A new timetable for the phasing-out of single-hull tankers was agreed upon without resort to regional measures and the erosion of the legitimacy of the IMO.

6.3.2 The *Prestige* accident

As the European Commission was finalising the post-*Erika* packages and political activity on maritime safety was subsiding, a similar maritime accident occurred in November 2002. During adverse weather conditions off the coast of North-western Spain, the 26-year old single-hull tanker *Prestige* called for help to the Spanish coastal guard as one the vessel's tanks had burst. Rather than towing the vessel into a place of safe refuge, the Spanish authorities ordered the tanker to steer away from the coast. On the twenty-ninth of November the tanker split into two releasing in excess of 60,000 tonnes of oil. Fuelled by the public outcry and media coverage, an intense debate ensued on the causes of the accident and the liability of those involved. This was illustrated in a question raised by the *Financial Times* (November 20, 2002):

When a stricken tanker is registered in the Bahamas, owned by a Liberian company, managed by Greek administrators, chartered by a Swiss-based

Russian oil trader and sails under the command of a Greek captain with an Asian crew, who is ultimately responsible for the environmental and economic damage caused by oil spills?

Initially, the Spanish government considered legal action against the United Kingdom and secondarily Greece for not carrying out the required port-state inspections when the *Prestige* called at their ports in previous months (*Lloyd's List* November 15, 2002). Although this was supported by the TEN European Commissioner, the British permanent representative to the EU in a letter to the European Commission refuted the allegation and instead underscored the refusal of the Spanish authorities to tow in the vessel to safe refuge. Nonetheless, the European Commission once again drew attention to the issue of phasing-out single-hull tankers. Under the pressure of demonstrations and calls for immediate action by the press and environmental groups, the Spanish and French governments jointly proposed an instant ban on single-hull tankers operating in EU waters. The two governments also pledged to enforce stringent inspections within 200 nautical miles off their coasts on single-hull tankers over 15 years of age. There were several instances of Spanish and French warships escorting ships with these characteristics beyond the 200 nautical mile boundary (*Lloyd's List* December 3, 2002). Yet, on one occasion the Greek operator of an escorted vessel responded by publicly declaring “we have an excellent vessel in first class condition...we therefore expect unhindered passage as per international law and expect the European Union, the International Maritime Organisation and the nation states to support and respect the law” (*Naftemporiki* December 6, 2002).³⁴

³⁴ The vessel was the *Ermis Maritime*, owned by the Alafouzos family.

Following from the proposals of the French and Spanish governments, the European Commission confirmed that EU member states were entitled to proceed with the phasing-out of single-hull tankers ahead of the EU timetable (Lamoureux 2002). Rather than the adoption of new legislation, the European Commission began considering the strengthening of existing legislation, especially the recently adopted Erika I and Erika II packages. In early December 2002 the European Commission prepared a Communication to the Council and the European Parliament proposing a set of measures for the abolition of substandard oil tankers from EU waters. A new Regulation was proposed prohibiting the transportation of heavy-fuel oil by single-hull tankers calling at EU ports. Concurrently, the European Commission published an indicative black list of vessels that were detained in the past by EU port authorities for failing to comply with maritime safety regulation. The purpose of the initiative was to prevent operators from chartering these vessels and for the flag states of the vessels to apply stringent maritime safety standards. In addition, member states were requested to design national plans for the accommodation of vessels in distress at places of refuge. Furthermore, there were provisions for the criminal liability of entities responsible for maritime pollution through gross negligence (European Commission IP/02/1791). Subsequently, in late December 2002 the European Commission submitted to the Council and the European Parliament a proposal for the immediate ban on the carriage of heavy fuel oil in single-hull tankers and the acceleration of the phasing-out of single-vessels flying an EU member state flag and calling at EU ports. In conjunction, the strengthening of technical inspections was put forward for single-hull tanker over 15 years old that traded at EU ports (CEC COM 681/02, Ranheim 2002).

The Greek shipowners were confronted with political circumstances similar to those that followed the Erika accident. The UGS and the GSCC made use of the EU material and immaterial resources and indirect channels of influence that were employed in shaping the post-*Erika* package of measures. There was evidence of cognitive usage of EU resources in persuading European Commission officials, MEPs and representatives of national governments on the causes of the Prestige accident and the distribution of responsibility (Interview with Greek Shipping Cooperation Committee Council Member March 2006, Interview with Director of Hellenic Chamber of Shipping May 2006). The UGS interpreted the European Commission proposals as a consequence of media pressure and political expediency. The approach of the UGS was premised on the principle that irrespective of ship design, maritime accidents could not be completely prevented. In the case of the *Prestige*, the responsibility lay with the Spanish authorities for not offering place of refuge to a damaged vessel and instead allowing it to remain in the open Ocean under adverse weather conditions. Certainly, it was argued that "...the ship did not fail because she was old and single-hull. Under the circumstances, the ship was doomed to break into two and pollute" (UGS Annual Report 2002-03). According to the UGS the proposals to ban single-hull vessels from carrying heavy crude oil and accelerate the phasing-out of single-hull tankers were not technically substantiated and were made hastily without awaiting the outcome of official investigations. Similarly the Chairman of the GSCC stated that "...European proposals for phasing out single skin tankers, by their own admission, are not technically based, but designed to appease public opinion" (*Tanker Operator* February 2003, *GSCC February Bulletin* 2003). The UGS and the GSCC advanced two lines of argumentation in opposition to the European Commission proposals. Firstly, it was reiterated that the appropriate venue for the

adoption of legislation on maritime safety and environmental pollution was the IMO and the EU should refrain from pursuing unilateral measures. It was claimed that the existing framework, involving classifications societies, insurers and port authorities was exerting sufficient pressure on shipowners to improve the standards of safety and environmental friendliness of their vessels (Interview with Chairman of Lloyd's Register March 2006, Interview with representative of International Group of P&I Clubs April 2006). Hence, resting on this premise the UGS proposed the establishment of a well-defined and efficient regime for areas of refuge to prevent as the most suitable measure for preventing accidents such as the *Erika* and *Prestige* (UGS Annual Report 2002-03, GSCC December Bulletin 2003). Secondly, it was argued that European Commission regulators tended to neglect the strategic importance of shipping industry for the EU economy and the investment made by shipowners in the renewal of the fleet in the 1990s. It was maintained that over sixty percent of the EU oil trade was seaborne. Hence, the control of the tanker fleet was an issue of strategic importance in satisfying EU demand for energy. It was asserted that contrary to the EU intentions of maintaining ownership and manning within the EU, the measures would render open registries increasingly attractive to shipowners.

Several meetings were held between the YEN, the UGS and the GSCC in Athens and London. The significance of the relationship between the Greek shipowners and YEN was amplified as Greece was assuming the EU Presidency for the six months commencing in January 2003. In seeking to lessen the adverse attention the shipping industry was receiving, the Greek government stated that it would not make maritime policy the central focus of its Presidency. In early January the IMO General Secretary met with the YEN Minister and it was agreed that the Greek Presidency would

promote the IMO as the most suitable domain for the formulation of shipping regulation. Following the meeting, it was announced that the YEN Minister would “brief his EU counterparts on the proposal and stress the importance of IMO as arbiter of safety and maritime pollution issues” (Anomeritis 2003). As with the *Erika* accident, there was an alignment of interests between YEN and the Greek shipowners. The YEN Minister stated on numerous occasions the primacy of the IMO and the importance of improving maritime safety standards without compromising the competitiveness of EU shipping (Minutes of the Hellenic Parliament Sessions June 4, 2003). In tandem, it was advanced that Greek-owned shipping maintained a robust safety record. The YEN Minister argued that “...on issues of maritime safety and control of seaworthiness, we are ahead of other European countries by decades...Greece performs the highest number of ship inspections annually much higher than countries such as France that, during the Prestige accident accused Greek shipping of low safety standards” (Anomeritis MP Minutes of the Hellenic Parliament Sessions December 21, 2002).

The international shipping organisations moved rapidly in disseminating information and proposals within the EU institutions and towards the European media with the purpose of taking the lead in the ensuing political response (Interview with Executive Advisor of European Community Shipowners Associations March 2006, Interview with Secretary of International Chamber of Shipping February 2006, Interview with Manager of Intercargo March 2006, Interview with International Affairs Liaison of Baltic and International Maritime Council March 2006). It was believed that in the case of the *Erika*, misconceptions regarding the causes of the accident prevailed that subsequently underpinned unfavourable regulatory proposals. In an effort to

circumscribe the parameters of the political discussion, ECSA, Intertanko and BIMCO issued separate press releases in November 2002 that provided data on the improving safety record of the industry and made a set of proposals, including the accelerated preparation of national schemes for accommodation of vessels in places of refuge (Directive 59/02), the strengthening of Port State control and the speedy establishment of the European Maritime Safety Agency (ECSA Press Release November 2002, BIMCO-Intertanko Joint Press Release November 2002). Once the European Commission proposals were announced, there was consternation as it was felt that the industry was not sufficiently consulted on the implications of the measures (ECSA Annual Report 2002-03). Subsequently, a meeting of the Round Table of Maritime Associations was convened by the ESCA with the International Chamber of Shipping, Intertanko, Intercargo and BIMCO to discuss the EU measures (Intertanko Annual Review 2002, *BIMCO Bulletin* January 2001). The purpose was to coordinate the lobbying efforts of the four associations in communicating a coherent message and avoiding replication. However, there were divisions between the national shipowners' associations that were reflected in the ECSA position on favouring the ban of single-hull vessels carrying heavy oil whilst criticising the reconfiguration of the phasing-out timetable, which was deemed impracticable (ECSA Annual Report 2001-02). Although the UGS and the GSCC were categorically opposed to these measures, other organisations such as the Swedish Shipowners' Association supported the European Commission measures (Fairplay April 24, 2003). Notwithstanding these differences there was broad consensus that the IMO was the appropriate level for discussing maritime safety and on proposals regarding places of refuge and the strengthening of port state control (BIMCO Press Release December 2002). This partly explained why organisations such as BIMCO and Intertanko that

were not composed by national shipowners association were more unyielding in their approach to the European Commission proposals. On behalf of the Round Table, BIMCO sent a letter to the EU President requesting a full enquiry on the Spanish authorities' handling of the *Prestige* accident as the "...the EU transport ministers seem to have pre-judged the outcome of any inquiry into the *Prestige* and concluded that the fault rests entirely with the shipping industry" (BIMCO Letter to EU President December 12, 2002). As with the associations of Greek shipowners, there was cognitive usage of EU resources in explaining the causes of the *Erika* and *Prestige* accidents. Through articles, speeches and public and private presentations to the European Commission, Intertanko and BIMCO elucidated the technical details of the accidents whilst advocating that the banning of single-hull tankers would not prevent similar occurrences in the future (Mikelis 2003, Intertanko January 2003, *BIMCO Bulletin* 2002). An additional channel of influence for the shipowners was the IMO Secretary General. In March 2003 the IMO Secretary General met with the TEN European Commissioner in Brussels. Emphasizing the primacy of the international level in the regulation of shipping, the IMO Secretary General called for an official enquiry to be made in discerning the causes of the accident before measures were adopted. Likewise, on the same day, Intertanko announced that the Commission's proposals should be subject to "...thorough and rigorous analyses and impact studies by the IMO before introduction" (*Lloyd's List* March 5, 2003).

In expanding the political opportunity structure, the EU offered material and immaterial resources to actors that historically were not prevalent in fashioning international legislation on maritime safety. The European Commission and the European Parliament actively solicited the input from a variety of organisations,

alongside the international shipping associations. There was evidence of environmental interest groups taking a larger part in the EU maritime safety policy-making process. Lacking in resources in comparison to industry associations, the competitive advantage of environmental groups was in the generation and dissemination of 'knowledge' and information (Jacquot and Woll 2003b, Princen and Finger 1994). Unlike the shipping associations lobbying the EU institutions, Greenpeace maintained one representative in Brussels concentrating on marine affairs, including maritime transport (Interview with Greenpeace EU Marine Policy Advisor, March 2006). EU material and immaterial resources were used in a cognitive way in shaping the discussion on the causes of the *Erika* and *Prestige* accidents. Greenpeace was vocal in attributing the accidents to the use of single-hull tankers, requesting a complete ban on such vessels and the establishment of a new regime of unlimited responsibility for the perpetrators of marine pollution, including shipowners, operators and charterers (Greenpeace Report November 2003). In tandem, Greenpeace concentrated on issues of environmental friendly ship-breaking of the single-hull tankers that would be placed out of operation due to the accelerated timetable (Greenpeace Report December 2004). Moreover, in raising publicity, Greenpeace activists boarded single-hull tankers transiting EU waters, calling for an immediate ban (Greenpeace Press Release January 23, 2003, Greenpeace Press Release November 29, 2002). Industry associations and member states complained to the IMO that Greenpeace activists were jeopardising the safety of vessels during their campaigns. This initiated discussions on the removal of the 'consultative status' of Greenpeace at the IMO. Rather than safety issues, Greenpeace claimed that the removal from the IMO was initiated by industry associations and member states due to the interest groups' strong stance on the phasing-out of single-hull tankers.

Although the 'consultative status' issue was internally discussed throughout 2003, Greenpeace eventually maintained its position within the IMO. Indeed, according to the IMO, the presence of Greenpeace within the organisation was valuable in promoting marine pollution prevention measures (Interview with Head of Policy and Planning Unit International Maritime Organisation March 2006). Nonetheless, this was an illustration of the complexity of the EU negotiating process on maritime safety with the transference of divisions between the industry associations and environmental groups to the international level.

In early December 2002, the Council of Transport Ministers affirmed the European Commission proposals (CEU Information Note 15626/02). The Council agreed that heavy grades of oil were to be transported solely by double-hull tankers and invited the European Commission to draft a proposal on the accelerated phasing-out of single-tankers with an approval date of no later than July 2003. Further, the Council called on the member states to ensure that similar rules were established at the international level. The Council conclusions reflected a division between the member states in the interpretation of the causes of the accident and the nature of the measures required. France, Spain and Portugal concentrated on the design of vessels seeking a rapid phasing-out of single-hull tankers. In contrast, Greece, Germany, the UK, Denmark and the Netherlands favoured the status quo or at least the pursuit of the issue entirely through the IMO (*Lloyd's List* February 5, 2003). The main points of difference regarding the draft Regulation were the scope of accelerated phasing-out, the calendar of phasing-out and the inclusion of small tankers (600-5000dwt) in the ban (Transport Council Background Notes March 2003). Subsequently, the EU President Romano Prodi circulated a letter to the EU governments, reiterating the

European Commission proposals as the optimal way forward in improving maritime safety standards. In March 2003 the Council of Transport Minister reached political agreement on the accelerated timetable proposed by the European Commission (European Commission Memorandum October 2003). In addition, the Council urged the member states to promote similar measures at the global level by seeking the amendment of MARPOL. Despite the initial resistance from Germany, the UK and the Netherlands, it was maintained that during the Council meeting the Greek delegation was marginalised, being the sole country to oppose the revised timetable (Interview with Maritime Transport Attaché of Greek Permanent delegation to the EU March 2006).

The Transport Committee of the European Parliament appointed Belgian MEP Dirk Sterckx as head of the Temporary Committee on Improving Safety at Sea (MARE Committee) to conduct an investigation on the circumstances surrounding the *Prestige* accident. In deciphering the responsibilities for the Prestige accident and discussing measures to improve maritime safety, the European Parliament held three public hearings. The European Parliament invited contributions from industry associations (ECSA), maritime experts, environmental groups, classifications societies, salvage companies, the European Commission and EU member governments. The Greek shipowners and the international shipping associations were content with the parliamentary process and the conclusions of the final report (ECSA Annual Report 2002-03). Firstly, in interpreting the causes of the Prestige accident, emphasis was drawn to the decision of the Spanish authorities to refuse a 'place of refuge' for the vessel. Secondly, it was recognised that rather than creating new legislation, the priority should be the application of existing EU and international legislation. Thirdly,

the international nature of the shipping industry required measures designed and approved at the IMO, although it was noted that the IMO was institutionally incapable of swift responses to maritime issues, “moving as fast as its slowest member” (European Parliament 2066/03, European Parliament 0350/04).

In July 2003 the Council and the European Parliament adopted Regulation 1726/03 amending Regulation 417/02, stipulating that single-hull tankers transporting heavy grades of oil were banned from calling at EU ports. In tandem, the timetable for phasing-out single-hull tankers was accelerated matching more closely the OPA 90 schedule. Subsequently, the negotiations shifted to the IMO as discussions commenced on the adoption of the EU measures at the international level. Indeed, within 2003 further amendments were adopted to the MARPOL convention, mirroring EU legislation. A compromise was reached with opts-outs that were not applicable under Regulation 1726/03, allowing for specified sub-types of single-hull tankers to continue operating beyond their twenty-fifth anniversary as well as recognising the discretion of coastal states in permitting the operation of certain types of vessels (UGS Annual Report 2003-04). Furthermore, IMO member states such as Japan and Singapore stated that single-hull tankers will be allowed to continue operating in their jurisdictions until 2015. An outline of the differing timetables is displayed in the table below:

Table 6: Revised Phasing-out Timetable (July 2003/Sept. 2005)³⁵

Single-Hull Vessel	USA OPA 90	EU (July 2003)	MARPOL (Sep. 2005)
<i>Category 1</i>	2005	2005	2005
<i>Category 2</i>	2010	2010	2010/15
<i>Category 3</i>	2010	2010	2015/15

In response to the adoption of Regulation 1726/03 the Greek shipowners and their industry associations stated their disapproval with the adopted measures and the handling of the *Prestige* accident by the European Commission. The sentiments of the Greek shipowners were captured by the GSCC in stating that "...the political pressure continues for the EU to by-pass any investigation or analysis and continue the witch-hunt" (GSCC February Bulletin 2003). It was maintained that the legislation rested on an erroneous premise as the link between the use of single-hull tankers and the *Erika* and *Prestige* accidents was not established (UGS Annual Report 2003-04). Despite the cognitive usage of material and immaterial resources, the UGS and the GSCC were unable to persuade European Commission regulators and key EU member state governments with their interpretation of maritime safety. With respect to national governments, there was an imperative to demonstrate to their political constituencies that measures were taken to prevent the repetition of maritime accidents. Concurrently, emulating the United States, the European Commission manifested its capacity to instigate reform and shape international shipping regulation. However, the UGS and the GSCC complained that the revision of the phasing-out schedule twice in

³⁵ For description of Categories see footnote 9, Chapter 5. "Revised phase-out schedule for single-hull tankers enters into force" *IMO Briefing* 18, April 2005, "European Union Regulations on single-hull oil tankers" *IMO Briefing* 23, October 2003, "Revised phase-out schedule for single hull tankers enters into force" *IMO News* Is. 2, 2005, *Double hull tankers: High level panel of experts Report* (Brussels: EMSA, 2005).

three years jeopardised the smooth operation of ocean-going shipping. In conjunction, it was argued that the EU initiatives were undermining the legitimacy of the IMO, resulting in the coexistence of three different regulatory frameworks involving the IMO, US and the EU (UGS Annual Report 2003-04). Amongst the Greek shipowners there was disappointment with the lobbying efforts of the Greek government and its inability to persuade its counterparts of transferring the issue of single-hull tankers to the IMO. The expectations were amplified as Greece held the EU Presidency in the first six months of 2003. The YEN Minister received criticism from the industry associations and opposition parties for ‘succumbing’ to the pressures exerted by the Spanish and French governments. MPs from the opposition New Democracy party accused YEN for not materialising an earlier proposal for an EU report on the causes of the *Prestige* accident including an impact assessment of the European Commission proposals on the competitiveness of the European shipping industry (Minutes of Hellenic Parliament Sessions June 4, 2003, Minutes of Hellenic Parliament Sessions February 11 2003).

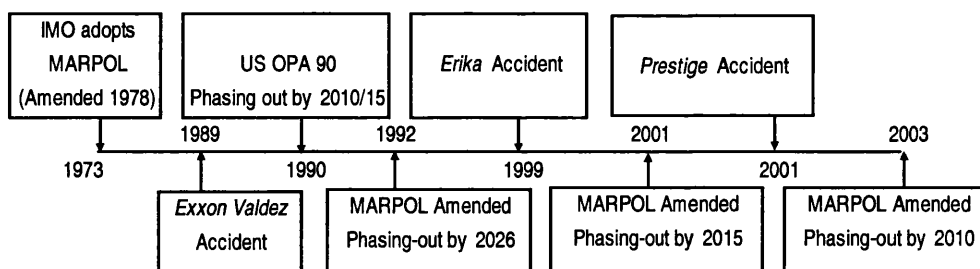
In sum, the media exposure and political pressures emanating from the maritime accidents of the *Erika* and the *Prestige* provided the foundation for the European Commission to expand its competency in the regulation of maritime safety. The European Commission pursued the reform of existing international legislation on maritime safety, seeking a ban on single-hull tankers transporting heavy grades of oil to EU ports and further acceleration of the phasing-out of single-hull tankers, one year after a revised timetable was adopted. The European Commission was able to demonstrate its capacity to initiate reform and shape international shipping regulation. Likewise, the European Parliament resting on its co-decision powers was actively

involved in gathering information on the circumstances of the accident and the development of legislation. Through a public hearing and meetings with industry representatives, it was felt by industry associations that the European Parliament engaged in a thorough consultation process. However, due the diverse party-political and national interests represented through the European Parliament, it was difficult to effectively shape the outcome of its deliberations (Interview with ECSA Executive Advisor March 2006, Interview with Secretary of International Chamber of Shipping February 2006, Interview with Executive Director of European Liner Affairs Association April 2006). The UGS and the GSCC formed part of a constellation of veto points spanning the national, European and international levels that were opposed to the European Commission initiatives. There was evidence of the employment of EU material and immaterial resources by supporters and detractors of reform in shaping the policy outcome. At the deliberative level, with speeches, reports and technical research the Greek shipowners through UGS, GSCC, ECSA, Intertanko, ICS and BICMO sought to modify the interpretation of maritime accidents shared by the European Commission and key EU member state governments. It was advanced that the design of the vessel was not the cause of the accident with attention drawn to weaknesses in existing regulation on 'places of refuge' and port state control. At the same time, contrasting technical approaches were advanced by other actors who favoured the phasing-in of double-hull vessel. Bolstered by higher legitimacy with the EU public, political actors such as environmental groups utilised EU material and immaterial resources in increasing their presence in maritime safety policy-making.

In addition, the UGS and the GSCC used material resources in the form of EU institutions and policy instruments. Meetings with European Commission officials

and MEPs were organised directly or through the international industry associations. This included a direct meeting between the IMO Secretary General and TEN Transport Commissioner. A central feature of the Greek shipowners' approach was retaining the pre-eminence of the IMO in maritime safety regulation. Substantive consultation was conducted with YEN, especially as the negotiations on the maritime safety measures coincided with the Greek government assuming the EU presidency for the first six months of 2003. Despite the efforts of YEN and the Greek permanent delegation in Brussels, the Greek government found itself marginalised in the Council meeting on the adoption of Regulation 1726/03. Unlike the case of the *Erika* accident, the Greek shipowners and their allies were unable to transfer the negotiations to the international level. Rather, the IMO had to react to the EU measures with the revision of the timetable for the phasing-out of single-hull tankers under negotiation for the second time in three years (*Table 3*). Amongst the shipowners' community, there was dissatisfaction with the Greek government's inability to hold back the European Commission initiatives.

Figure 11: Timeline of MARPOL revisions



Overall, the Greek shipowners were adjusting to a new political landscape with the EU increasing its prominence in international shipping policy-making (UGS Annual Report 2002-03, ECSA Annual Report 2002-03, Interview with Vice-Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Shipowner

March 2006). By employing EU material and immaterial resources, they were able to favourably shape the political process in the aftermath of the *Erika* accident, yet this was not replicated in the case of the *Prestige* accident. In the latter instance the ensuing political momentum fuelled by media attention, key EU member governments and the European Commission was overly powerful to be overturned. This was encapsulated in a statement by the TEN Commissioner "... as far as the industry is concerned, the recognition is gradually grounded that the Commission is a player in maritime transport...with the Commission's proposals originating in legitimate concerns from a wide number of people" (De Pallacio 2003).

6.4 The Directive on Ship Source pollution

In the aftermath of the *Erika* and *Prestige* accidents, the European Commission examined a variety of measures in seeking the prevention of analogous accidents in the future. DG TREN officials were considering ways of 'tightening the net' as existing international civil liability regimes governing ship-source pollution were interpreted to be overly lenient (Karamitsos 2005, Michaux and Anastasakos 2004, Karamitsos 2003). This signified an asymmetry between the responsibilities a shipowner undertook in transporting cargoes and the corresponding ability of the polluter to limit liability. In tandem, it was believed that larger exposure to sanctions would offer an incentive for shipowners and charterers to employ quality vessels. In response to the *Prestige* accident, the initial proposals of the European Commission included the introduction of criminal sanctions for entities responsible for marine pollution (European Commission IP/02/1791). This was affirmed by the Copenhagen European Council in December 2003 whilst the respective Council of Transport

Ministers welcomed the initiative for legislation stipulating that “...any person who has caused or contributed to a pollution incident through grossly negligent behaviour should be subject to appropriate sanctions” (CEU Information Note 15626/02). In the March 2003 European Commission proposals, alongside the accelerated phasing-in of double-hull tankers, a Directive on criminal sanctions for ship pollution was outlined (CEC COM 0105/03). In addressing existing shortcomings in Community legislation, the introduction of criminal sanctions regarding deliberate and accidental pollution was suggested. The envisaged Directive encompassed the complete maritime transport chain, incorporating *inter alia* shipowners, charterers and classifications societies. According to the wording of the European Commission the intention was that “...the parties responsible for such pollution will no longer be able to shirk their responsibilities” (CEC COM 0105/03). Subsequently, the European Commission proposed the adoption of a Directive on ship-source pollution and on the introduction of sanctions, including criminal sanctions for pollution offenders (CEC COM 92/03). In response to recurring maritime accidents and deliberate discharges, the European Commission proposed that ship-source pollution should constitute a criminal offence with corresponding sanctions, including criminal sanctions for the persons who caused or participated in the act by intent or grossly negligent behaviour. The proposed Directive pertained to discharges of polluting substances by any ship irrespective of its flag in the internal waters, territorial sea and exclusive economic zone (EEZ) of an EU member state as well as the high seas. This covered the shipowner, charterer, classification society and any person involved who was found guilty of participating in or causing illegal pollution, either intentionally or by gross negligence. Further, the sanctions were outlined including fines, confiscation of

proceeds, temporary ban on engaging in commercial activities and placement under judicial supervision (CEC COM 92/03).

Complementing the Directive on sanctions for ship-source pollution, a Framework Decision was proposed to strengthen the criminal law framework. The proposal of a separate Framework Decision was the outcome of a competence dispute between the Council and the European Commission. The Council argued that according to the EU Treaty, the European Commission was not competent to prepare the implementation legislation with respect to ship-source pollution. In converse to the Directive on ship-source pollution, the co-decision rule was not applicable to the adoption of the Framework Decision and the European Parliament was entitled to offer non-binding advice. With respect to the Council of Justice Ministers decisions were agreed upon through unanimity and not qualified majority. This enabled Greece, Malta and Cyprus to negotiate across the draft Directive and Framework Decision with the exercise of a veto as a last resort (Interview with Maritime Transport Attaché of Greek Permanent Representation to the EU March 2006, Interview with Secretary-General of Cyprus Shipping Council April 2006).

As European Commission initiatives towards adopting a Directive on ship-source pollution gathered pace, there was considerable evidence of the usage of EU material and immaterial resources by the Greek shipowners in shaping the cognitive interpretations of the causes of marine pollution. There was consternation with the intention of the European Commission to pursue regional measures despite the lobbying efforts over the previous years of the UGS, GSCC and international shipping associations to emphasise the primacy of the international level. The prevailing

sentiment amongst Greek shipowners was captured by the Chairman of the GSCC maintaining that "...the Commission frequently acts as if the industry were a slightly shady, regional activity in need of severe correction and reprimand" (Embiricos 2005). In the same vein, the President of the UGS proclaimed that "...one area that does concern me is that there are certain individuals within the Commission who are showing animosity towards the shipping industry and thus ...not doing their duty" (Efthymiou 2005). Whilst supporting measures for the enhancement of maritime safety and the protection of the marine environment, several arguments were presented against the constitution of accidental pollution as an infringement. Firstly, the European Commission proposals were in conflict with existing international legislation in the form of UNCLOS and MARPOL. Secondly, further regulation would create a competitive disadvantage for EU shipping and deter the attraction of new seafarers to a profession that was already facing difficulties in recruiting (Embiricos 2005). Thirdly, citing the OCIMF vetting system established by the major oil companies it was argued that criminal sanctions and penalties were not the sole approach for deterring ship-source pollution. The UGS and the GSCC engaged in 'venue shopping' seeking to utilise every access point to the EU policy-makers (Mazey and Richardson 2001: 220). The two associations engaged directly with the cabinets of the TREN, Environment and Justice European Commissioners, key European Commission officials such as the Director of Maritime Transport in DG TREN and MEPs from a variety of European Parliament Committees (UGS Annual Report 2004-05, GSCC Annual Report 2004-05, GSCC Memo 2005). Furthermore, the GSCC commissioned a legal opinion by the law firm *Ince & Co* that provided a legal basis for opposing the European Commission proposals. In the legal opinion it was stated that the proposed Directive would conflict with existing international

regulation, it did not entail the improvement of maritime safety and posed a threat to the human rights of seafarers.

As with the negotiations on single-hull tankers, the Greek government was an access point to the Council of Ministers. The process for the adoption of the ship-source pollution Directive coincided with the appointment of new YEN leadership following the March 2004 national elections. There was considerable consultation between the UGS, GSCC and YEN and meetings were held at the highest level including the Greek Prime Minister (YEN Press Release April 6, 2004). The opinion of the UGS and the GSCC was that the Greek state should be a leader in the formulation of international maritime policy, particularly at the EU level. Likewise, the approach of YEN was that merchant shipping was a central pillar of the national economy and should be supported through international initiatives. From the statements, press releases and EU Council voting patterns it can be seen that the positions of the Greek shipowners and YEN were aligned (Minutes of the Hellenic Parliament Sessions November 17 2004). According to YEN, Greek legislation on the protection of the marine environment was the most stringent in the EU and should be a point of reference in the EU negotiations on ship-source pollution. Rather than seeking the constitution of accidental pollution as an infringement, it was advocated that the EU should pursue legislation on the designation of places of refuge. Further, it was noted that the measures would have a counter-productive impact as shipowners could switch away from EU flags, undermining the competitiveness of EU merchant shipping (Minutes of the Hellenic Parliament Sessions November 17 2004, YEN Press Conference November 3, 2004).

Moreover, the IMO represented an important institutional channel of influence with respect to the European Commission. The capacity of the UGS and the GSCC to exert influence within the IMO secretariat was amplified with the appointment of Efthimios Mitropoulos as the Secretary General in June 2003. The Greek shipowners maintained direct access to the IMO head and a number of meetings were held to discuss the European Commission initiatives. Indicatively, in May 2004 the YEN Minister met simultaneously with the IMO Secretary General and the GSCC to exchange opinions on the EU maritime transport policy. Indeed, as part of the *Erika* and *Prestige* packages of measures, the European Commission proposed that the EU ought to gain full membership at the IMO. This was intermittently pursued by the European Commission since gaining observer status in 1974. At the time of the adoption of the Directive on common rules and standards for ship inspection and survey organizations, the European Commission declared that an external Community competence was created and that the detailed arrangements for exercising this competence would be the subject of subsequent proposals (Council Directive 57/94). In parallel, it was agreed that there would be constructive co-ordinations between the EU member states and the Commission on matters subjects to Community competence that were discussed at the IMO. This would ensure the EU rules were complied with by the member states in IMO discussions (Interview with Head of Maritime Transport Policy & Maritime Safety European Commission April 2006, Interview with Maritime Transport Attaché of Greek Permanent Delegation to the EU March 2006). However, it was countered that according to the IMO Convention, membership was open only to nation-states and not regional organisations. An amendment of the Convention would require the approval of a two-thirds majority of the member states (Interview with Head of Policy and Planning Unit IMO March

2006, Interview with Deputy Director of Maritime Safety Division IMO March 2006). Aside from IMO constitutional hindrances, the EU member states were not in favour of strengthening the competence of the EU in the IMO (ECSA Annual Report 2004-05). Likewise, the UGS and in particular the GSCC were opposed to this prospect as it was argued that it would be difficult to articulate a 'single common interest' across the EU member states whilst the quality of the technical discussion at the IMO would be reduced (GSCC Annual Report 2004/2005). At present the issue remained inconclusive although it was understood that the European Commission's eventual aim was for the EU to become a full member of the IMO (ECSA Annual Report 2004-05, ICS Annual Review 2005).

In converse to the negotiations on the phasing-out of single hull tankers, there was consensus amongst the industry associations against the criminal sanctions Directive (Interview with Chairman of Lloyd's Register March 2006, Interview with Manager of Intercargo March 2006, Interview with Vice-Chairman of Greek Shipping Cooperation Committee March 2006, Interview with Secretary-General of International Salvage Union March 2006, Interview with Secretary of International Chamber of Shipping February 2006). The UGS and the GSCC were integral in coordinating the efforts of the respective European and international industry associations. Illustratively, the Chairman of the Royal Association of Netherlands' Shipowners (KVNR) commended the Greek shipowners for "their courage to speak out openly their anger and frustration with this unwelcome strategy" (Korteland 2005). Likewise, the Managing Director of a large P&I Club presented the UGS as a model for shipowners' associations to emulate in effectively lobbying governments and regulators in European and internationally (Eccleston 2005). The ICS, ECSA,

Intertanko and OCIMF agreed to coordinate their lobbying efforts in favourably shaping the European Commission proposals on ship-source pollution. These organisations combined, represented more than fifty percent of world merchant tonnage, seventy percent of the world's independently owned tankers and all the major oil companies. In August 2003 the four associations issued a joint position paper with respect to the Directive on ship-source pollution (Industry Joint Position Paper August 2003). Although there was agreement with the principle that entities responsible for illegal discharges should receive corresponding sanctions, it was noted the ship-source pollution should be addressed at the international level. There was concern that certain provisions in the proposed Directive were in conflict with the existing stipulations of MARPOL and UNCLOS. The EU member states were already contracting parties to the international conventions and national legislators had provided for a variety of sanctions to illegal ship-source pollution. Hence, it was argued that the additional layer of legislation would introduce legal uncertainty to the ship-source pollution regime. In addition, rather than penalise operators for operational (deliberate) ship-source pollution, the associations urged the European Commission to provide for suitable waste reception facilities in EU ports, in line with Directive 59/2000 on Port Reception Facilities (Interview with Director of Oil Companies International Marine Forum March 2006, Interview with Member of Greek Shipping Cooperation Committee March 2006, Joint Position Paper August 2003). As the negotiations on the ship-source pollution Directive proceeded, in an unprecedented move a coalition of ten and eventually thirteen shipping associations was formed to oppose the European Commission proposals. The coalition comprised major shipping industry associations, including ECSA, ICS, Intertanko, Intercargo, BIMCO, the International Salvage Union (ISU) and the International Transport

Workers' Federation.³⁶ The purpose of the coalition was to request that the European Parliament endorse a draft Directive that complies with existing international legislation (ECSA Newsletter October 2004).

Aside from certain national governments and the European Commission, the ship-source pollution Directive was supported by environmental interest groups. Figuring prominently was Oceana, a non-governmental organisation campaigning for the protection of oceans. Oceana engaged actively through the use of EU material and immaterial resources in supporting the European Commission proposals on constituting accidental ship-source pollution an infringement if committed with intent, recklessly or by serious negligence (Interview with Oceana EU Political Advisor March 2006, Oceana MEP Briefing February 2005). EU resources were employed in a cognitive way through the preparation and dissemination of research on the environmental impact of ship-source discharges. Evidence was presented that discharges of polluting substances posed a threat to the marine and coastal environmental that was three times greater than oil slicks from vessel accidents, pointing especially to vessels under the flags of Cyprus and Malta (Oceana Press Release November 2004). Compared to the major shipping associations, Oceana had limited resources and concentrated on the environmental constituency within the European Parliament. Although it cannot be maintained that Oceana shaped the policy-making process, it could be argued that it was an additional source of legitimacy for the European Commission proposals.

³⁶ The coalition also included the International Group of P&I Clubs

In January 2004 the European Parliament offered its first reading of the proposed Directive, adopting a set of amendments to the European Commission proposals. It was maintained that UNCLOS and MARPOL should remain the relevant legislation for ship-source pollution and corresponding criminal sanctions. In June 2004 the Council of Transport Ministers reached a political agreement on the draft Directive on sanctions for ship-source pollution. Departing from the opinion of the European Parliament the proposals adopted moved beyond the stipulations of UNCLOS and MARPOL. It was agreed that committing ship-source pollution within the internal waters or territorial sea of an EU member state, by intent, recklessly or by serious negligence was an infringement. Accordingly, the EU member states could impose “effective, proportionate and dissuasive” sanctions, including criminal sanctions. It was noted that accidental pollution beyond the EU member state territorial waters would not be an infringement for the owner, master and the crew if the respective MARPOL conditions were fulfilled. In tandem, the EU member states were obliged to institute proceedings, including detention of the vessel, for instances of infringement as opposed to the discretion afforded in international conventions (Fawcett-Ellis 2004). As with the negotiations on the phasing-out of single-hull tankers, the governments of France, Spain and Portugal were in support of a stringent approach beyond the stipulations of international legislation. Greece and Malta were the only two member governments to vote against the adoption of the draft Directive (ECSA Newsletter July 2004). The two governments insisted on the alignment of EU measures with international legislation and lobbied for the provisions of the proposed Directive not to be extended to the EEZ and the open seas.³⁷ As a compromise, the member states agreed to withdraw a proposal whereby criminal sanctions were

³⁷ In October 2004 the Council of Transport Ministers confirmed the draft Directive as a ‘Common Position’ with Greece and Malta voting against.

applicable to EU member flagged vessels for accidental pollution beyond the EU territorial waters. However, the European Commission reserved the right to review the issue in five years subsequent to a report on the implementation of the Directive.

For the second reading by the European Parliament, the rapporteur presented a report on the draft Directive, including proposed amendments to the Council's Common Position. The amendments entailed that accidental ship-source pollution should be an infringement in line with MARPOL as regards shipowner, master and crew, respect for the human rights of seafarers and proportionality of sanctions across the maritime transport chain. The ensuing discrepancy between the Council and the European Parliament led to informal tripartite discussions between delegates from the Council, European Parliament and European Commission. A critical point was the reinstatement of criminal sanctions for accidental pollution that had been watered down by the European Parliament with the purpose of protecting seafarers (*Naftemporiki* March 3, 2005). However, the plenary of the European Parliament had not supported a proposal to eschew designation of accidental pollution as an infringement. The proposal was submitted, following lobbying of MEPs, by the UGS, GSCC and the international shipping associations in coordination with the Greek government (ECSA Newsletter April 2005). The YEN Minister sent letters to all the Greek MEPs requesting that they support the proposed amendment as this was a vital issue for the interests of Greek shipping (Kefalogiannis Letter to MEPs February 17, 2005). According to the Greek shipowners, the proposed amendment corresponded to the MARPOL agreement and the conclusions of the European Parliament at the first reading of the draft Directive. Eventually the three institutions reached a compromise that was approved in the form of Directive 35/05 by the European Parliament in

February 2005 and by the Council of Transport Ministers in July 2005. In the Council meeting Greece and Malta voted against whilst Cyprus abstained from the vote. The Maltese Prime Minister personally attended the ministerial meeting, reiterating the conflicts between the Directive and international legislation (Interview with member of Greek Shipping Cooperation Committee Council March 2006, Interview with Secretary-General of Cyprus Shipping Council April 2006).

Directive 35/05 stipulated that ship-source pollution, including accidental pollution in the internal and territorial waters of the EU member states was an infringement on the basis of intent, recklessness or serious negligence. The sanctions were applicable to the entire maritime transport chain, encompassing the shipowner, the operator, the master, the charterer and the classification society. Beyond territorial waters, accidental pollution was covered by the MARPOL provisions. The conduct of a fair and impartial hearing would precede the determination of sanctions that would be proportional to the criminal offence. Administering criminal sanctions was a member state and not an EU competence and would be detailed in a separate Framework Decision. In addition, the European Commission was requested to prepare a feasibility study and accordingly a set of proposals for the establishment of an EU Coastguard (CEC Directive 35/05). In parallel to the adoption of the ship-source pollution Directive, negotiations unfolded on the adoption of the Framework Decision. In the October 2004 Council of Justice Ministers, Greece, Cyprus and Malta vetoed the adoption of the draft decision. The Greek government explained that the proposed stipulations on penalising accidental pollution beyond the EU member territorial waters were in conflict with existing international legislation (Minutes of the Hellenic Parliament Sessions November 11, 2004). Following protracted

negotiations the Council of Justice Ministers reached political agreement in December 2004 and Framework Decision was adopted in July 2005. In the adopted Framework Decision the proposed stipulation to apply criminal sanctions, including imprisonment, to EU-flagged ships for pollution occurring beyond the EU member territorial seas was removed.

The Greek shipowners were discontent with the adoption of Directive 35/05 following arduous negotiations. The final text of the Directive raised several concerns for the UGS and the GSCC. Firstly, conflicts between the provisions of the Directive and international legislation, especially accidental ship-source pollution constituting an infringement were a cause of legal uncertainty. Secondly, serious negligence as a basis from criminal liability was not a legally established concept entailing the likelihood of misuse by prospective victims of ship-source pollution (Embiricos 2005b, UGS Annual Report 2004-05, GSCC Annual Report 2004-05). The UGS and the GSCC were unable neither to prevent the incorporation of accidental ship-source pollution in the Directive nor to integrate guarantees that the owner, master and crew would not be prosecuted if all reasonable measures had been taken. Most importantly, it was the second time in a few years when European Commission initiatives that were deemed impracticable by the Greek shipowners were adopted despite considerable lobbying efforts to block them. The European Commission sought to reassure the concerns of the Greek shipowners, explaining that the Directive would be applicable to the "...rare instances whereby the responsible party is considered to have acted intolerably and must be condemned for that" (Karamitsos 2005). Nonetheless, in December 2005 the GSCC in a coalition with Intertanko, Intercargo, Lloyd's Register and the International Salvage Union applied to the High Court in

London for judicial review of Directive 35/05, requesting referral to the European Court of Justice for a ruling. The Directive was challenged on two main grounds, conflict with international law and failure to comply with the legal requirement of certainty. Overall, the coalition stressed that the supremacy of international law is critical for the effective regulation and smooth operation of the shipping industry. (Industry Coalition Briefing Note January 2006, Interview with Chairman of Lloyd's Register March 2006, Interview with Secretary General of ISU March 2006, Interview with Manager of Intercargo March 2006).

In sum, the growing regulatory role of the EU altered the opportunity structure in maritime transport policy-making. In initiating reforms beyond the existing international regulatory framework, the European Commission was confronted with a constellation of formal and factual veto points, including the Greek government, the UGS, GSCC and a plethora of international shipping associations. Against the background of the accelerated phasing-out of single-hull tankers, the Greek shipowners were apprehensive regarding European Commission initiatives on ship-source pollution. The UGS and the GSCC featured prominently in the opposition to the adoption of the proposed Directive. There was evidence of the use of EU material and immaterial resources in a cognitive way. The proposed Directive rested on an interpretation of maritime accidents and their legal implications that was contested by the Greek shipowners. In the words of the GSCC Chairman, "... by the EC's own admission, the directive was driven, not by sound rational thought, but by political sentiment and expediency, following the Prestige" (Embiricos 2005). In countering the cognitive interpretation put forward by the European Commission, the GSCC presented technical research and solicited a legal opinion highlighting the conflicts

with existing international law. In tandem, material resources were used in strategic and legitimising ways as the UGS and the GSCC engaged directly with officials from DG TREN, DG Environment and DG Justice and MEPs. In addition, there was considerable evidence of consultation and coordination between the two industry associations, YEN and the Greek government. This coincided with the appointment of new YEN leadership that was responsive to the requests of Greek ocean-going shipping. The 2004 EU enlargement entailed the accession of Cyprus and Malta with extensive maritime transport interests. A large proportion of Greek tonnage was registered under the flags of Malta and Cyprus. The alignment of interests between Greece, Cyprus and Malta was demonstrated in Council voting on the ship-source pollution Directive and the Framework Decision. Concurrently the EU enlargement into Eastern Europe introduced a number of countries that tended to vote as 'satellites' to the large member states (Interview with Greek Maritime Transport Attaché to the EU March 2006). Yet, aside from Greece, Cyprus and Malta that considered maritime safety an issue of high politics, the majority of the EU member states were willing to make concessions in addressing the concerns of the public and environmental groups. These voting patterns impaired the capacity of the Greek government to favourably shape the Council negotiations (Pallis 2006, Moravcsik and Vachudova 2003). Although Greece, Cyprus and Malta achieved some amendments to the draft Directive, without the support of the larger EU member states, their combined presence was not sufficient in removing the more controversial aspects of the legislation. Moreover, the lobbying efforts of the Greek shipowners were underpinned by a consensus amongst the major industry associations in opposition to the European Commission proposals. The resources and contacts of the main international and European industry associations formed an indirect channel of

influence towards the EU institutions. An unprecedented move was the establishment of a coalition of thirteen industry associations in which the Greek shipowners played an integral part. In conjunction, the IMO represented an additional source of institutional influence, in the cognitive usage of EU immaterial and material resources.

6.5 Ocean-going shipping, the Greek state and the European Union

Following the high-profile maritime accidents of the *Erika* and the *Prestige* the shipping industry was confronted with a barrage of criticism and negative publicity. Within the ensuing ‘window of opportunity’ the European Commission pushed forward with a set of initiatives to improve maritime safety and prevent the recurrence of maritime accidents. Amongst the proposed measures the accelerated phasing-out of single-hull tankers and the criminal sanctions for ship-source pollution were strongly opposed by the Greek shipowners and YEN. As part of the empirical evidence presented in this chapter, there is considerable evidence of the use of EU material and immaterial resources by the Greek shipowners and YEN in seeking to favourably shape maritime-safety policy making. Immaterial resources were used in a cognitive way in seeking to alter the interpretation of maritime accidents and ship-source discharges that underpinned the European Commission proposals on maritime safety. Through letters, speeches, reports, legal recommendations and technical analyses the UGS and the GSCC sought to establish an interpretation within the EU institutions that did not link the causes of the *Erika* and *Prestige* accidents to the employment of single-hull tankers. Rather, attention was drawn to a series of factors including the condition of the vessel, port-state control and the designation of places of refuge.

Likewise, attempts were made to persuade actors within the European Commission and the European Parliament of primacy of the international level and the counterproductive nature of the ship-source pollution proposals on the competitiveness of the EU shipping industry and the attraction of seafarers.

In conjunction, EU material resources were used in cognitive and strategic ways by the UGS, GSCC and YEN. Direct contacts were pursued with key figures in the cabinets of the European Commissioners, DG TREN, DG Environment and DG Justice. However, amongst the Greek shipowning community there was apprehension regarding the European Commission as it was believed that it lacked the technical expertise and an appreciation of the commercial dynamics in the shipping industry. Similarly, the UGS and the GSCC sought direct engagement with MEPs, especially in the Transport Committee of the European Parliament. Resting on the co-decision powers on transport arising from the Amsterdam Treaty, the European Parliament had become an important venue for achieving amendments to European Commission and Council proposals. Yet, at the same time the diversity of interests represented in the European Parliament rendered its decisions unpredictable. The outcome of the first reading of the ship-source pollution Directive by the European Parliament was welcomed by the Greek shipowners as the initial European Commission proposals were attenuated. However, in the second reading and the ensuing tripartite negotiations between the Council, European Commission and European Parliament, the adopted amendments were inimical to the interests of the Greek shipowners. Moreover, in communicating and effectively presenting the interests of the industry to the MEPs the Intergroup on Maritime Affairs was formed with the initiative of ECSA, Intertanko, Intercargo and BIMCO (Interview with Head of Brussels Representation of Swedish Shipowners Association April 2006, Interview with Executive Advisor of

the European Community Shipowners' Associations March 2006, Interview with the Secretary of the International Chamber of Shipping February 2006).

The international and European shipping associations, notably ECSA, ICS, Intertanko, Intercargo and BIMCO were an indirect channel of influence that was utilised by the UGS and the GSCC. The international industry associations were endowed with varying organisational resources and developed different lobbying styles. In engaging with EU institutions, ECSA was the first port of call due to its knowledge and experience of EU policy-making and contacts within the EU. Although the Greek shipowners were influential within this organisation, their positions could be diluted as ECSA sought to reconcile the differences of the national shipowners' associations that formed its membership. In parallel, ECSA was criticised for being at times "too close to the European Commission" (Interview with Shipowner March 2006). Compared to the other organisations, Intertanko was equipped with the most resources and employed an assertive lobbying style. Although it had not maintained a physical presence in Brussels, Intertanko contracted a political consultancy to monitor EU developments. Likewise, BIMCO appointed the former TREN European Commissioner, Neil Kinnock in improving its access to the EU institutions. The competence of the Greek shipowners in engaging with the EU institutions was partly attributed to the resources and contacts of these organisations. On the one hand, shipping interests had a long history of associability beyond the national level with an accompanying level of political expertise and networks. On the other hand, the shipping industry had neither committed large funds to lobbying activities, nor pursued public relations campaigns. This tendency circumscribed the capacity of industry associations to favourably influence international and European legislation (Van Dyck 2005). The extensive lobbying efforts committed in opposing

the ship-source pollution Directive were seen as an ad hoc response. Furthermore, although the major shipping associations had difficulties coordinating their efforts in the past, a coalition consisting of thirteen organisations was formed against the European Commission proposals. Indeed, the UGS and the GSCC were integral in bringing together these organisations. An additional source of influence and legitimacy was the Secretary-General of the IMO, in expressing the opinion of the industry and maintaining channels of dialogue open with the European Commission. Concurrently, the EU expanded the political opportunity structure with the active engagement of actors that were not prominent in international shipping regulation. Environmental NGOs such as Greenpeace with respect to the accelerated phasing-out of single-hull tankers and Oceana regarding ship-source pollution represented different constituencies. In spite of limited resources, through the dissemination of information and 'knowledge' these organisations amplified the legitimacy of the European Commission proposals.

As the EU expanded its competence in maritime safety regulation, there is evidence of the reinforcement of the state corporatist relations between the Greek state and the ocean-going shipowners. In accordance with interpretations of the domestic impact of European integration on Southern Europe, it would be anticipated that state corporatism would be weakened as the Greek state articulated the interests of other domestic constituencies. It was maintained that European integration was responsible for the retreat of the Greek state and political parties, expanding the opportunity structure for other interest groups (Kazakos 2004, Mouzelis and Pagoulatos 2002, Ioakimidis 1996, Diamandouros 1994). Nonetheless, the evidence from the lobbying efforts on the phasing-out of single-hull tankers and the ship-source pollution Directive points to the opposite direction. Rather, the relationship between the UGS,

the GSCC and the Greek state are tightened in the face of reform pressures from the European Union. The positions represented by the Greek government at the EU level are fully aligned with the interests of the ocean-going shipowners. There is continuous consultation between the UGS, GSCC and the Greek government in the formulation of positions and the coordination of lobbying efforts. This is demonstrated in European Council voting patterns with the Greek government finding itself marginalized among EU member states on several instances. Illustratively the YEN Minister declared that "...people outside the industry could even request triple-hull tankers, if it [*Prestige*] was a double-hull tanker what would have been the ramifications? We must be careful both at the international and European level because the national interests of Greek shipping are being jeopardised" (YEN Press Conference November 21, 2002).

As per the analytical framework that is advanced in this dissertation, the identified conditions provide an explanation for the direction of domestic political change due to the Europeanisation of maritime transport policy-making. The direction of domestic change is contingent on the unitary character and low 'integrated leadership' of the Greek state, recognition of incongruence between the EU proposals and international rules and the ensuing use of EU material and immaterial resources by the Greek shipowners. Foremost in reinforcing the state corporatist arrangement, the Greek ocean-going shipowners maintain capital mobility and are not counterbalanced by other influential domestic formal or factual veto points. If national or EU legislation were overly onerous compared to other jurisdictions, shipowners are in a position to exercise capital exit by re-flagging their vessels. In conjunction, the structural power of the Greek ocean-going shipowners is compounded by a sizeable contribution to the

national economy in the form of foreign exchange income, employment, technology transfer and investment in a variety of industries.

Furthermore, some observations are made on the significance of party politics and the international dimension of domestic politics with respect to the Greek state and ocean-going shipping. Despite the conflictual nature of Greek party politics, the positions of the two main parties, PASOK and New Democracy have been identical on issues of ocean-going shipping. Although particularly in the 1980s for ideological reasons PASOK sought to distance itself from the 'shipowning capital', state policies regarding the competitiveness of the Greek flag and repatriation of Greek shipowners from foreign flags remained remarkably stable for most of the post-war years. In tandem, rather than the governing party acting as a collective patron for the shipowners who actively supported it, capital mobility reconfigured the relationship in favour of the Greek shipowners (Sotiropoulos 1993, Lyrantzis 1984). It has been theorized that the institutionalisation of direct relations between the state and business interests involves the displacement of political parties (Golden 1986: 281). Although this was not entirely applicable due to the weakness of the Greek state, in the ocean-going shipping sector party politics had not figured prominently. Furthermore, the relationships between the Greek state and shipping contested conventional conceptualizations of state corporatism by blurring the boundaries between the domestic and the international. On the one hand, the Greek owned fleet is spread across a number of flags. On the other hand, the institutional representation of Greek shipowners is divided between the UGS located in Piraeus and the GSCC in London. In formulating domestic shipping policy and coordinating Greek positions at the EU level, YEN consults with both organisations. Similarly, it could be conjectured that the GSCC may actively engage with the UK Department of Transport in promoting

the interests of Greek shipping. However, there is little evidence of the GSCC influencing UK policies on shipping with the United Kingdom Chamber of Shipping prevailing in the policy-making process.

Thus, over a period spanning two decades the EU gradually muscled in the international maritime safety framework. The political pressures and media publicity emanating from the *Erika* and *Prestige* accidents provided the impetus for the European Commission to propose unilateral measures beyond international maritime safety standards. In circumventing the IMO, the European Commission sought to buttress its legitimacy as a source of stringent regulation on maritime transport. In conjunction, attempts were made for the EU to become a full member of the IMO. Shipping interests had a long history of associability beyond the national level in the form of the ICS, ECSA, Intertanko, Intergarco and BIMCO. Drawing from the resources and networks of these institutions whilst engaging directly with the EU institutions, the Greek shipowners sought to favourably shape negotiations at the EU level. As an access point to the Council of Ministers, there was considerable consultation and coordination between the UGS, GSCC and YEN. As a result, the European Commission initiatives have resulted in the strengthening of the state-corporatist relations between the Greek state and ocean-going shipowners. This is attributed primarily to capital mobility of ocean-going shipowners and the absence of countervailing interest groups at the domestic level. Nevertheless, the presence of the EU in the regulation of maritime transport is becoming normalised as it proceeds with further initiatives in the form of the “Erika III package” and the Green Paper on Maritime Policy (Interview with representative of Maritime Policy Task Force European Commission March 2006). In response, the Greek shipowners are seeking improved consultation with the European Commission, adopting the position that “a

stable, supportive and competitive regulatory framework was essential for the European shipping industry to thrive” (Polemis January 2006).

Chapter 7

Chapter 7: Discussion of Empirical Findings

Against the background of extensive state involvement in the economy, regime discontinuities in the history of Greek politics spawned differentiated patterns of interaction between the state and business interests characterized by ‘disjointed corporatism’ (Lavdas 2005, Lavdas and Lanza 2000, Lavdas 1997). Accordingly, in the shipping sector the relations between the Greek state and the shipowners took the form of state corporatism. Although the theorists of corporatism would anticipate state domination in the sector, the development of this arrangement is associated with the autonomy and influence of the shipowners (Lavdas 2005, Aspinwall 1998, Lavdas 1997, Strange 1976, Hirschman 1970). This is reflected in monopolistic representation, formal recognition of the shipowner associations, regular interaction with the Greek state, privileged access and consultation prior to the adoption of legislation (Schmitter and Grote 1997, Schmitter 1979, Schmitter 1977). The UGS and the EEA emerged as the peak associations in the ocean-going and coastal shipping segments and were involved in the negotiation of collective wage contracts with the seafarers. These associations maintained informal and formal access to senior government figures, MPs and Ministry officials and their consultation on legislative measures was institutionalised through the National Shipping Policy Council, the Hellenic Chamber of Shipping and the Council of Coastal Transport. Moreover, acknowledging the significance of shipping for the Greek economy, the Ministry of Mercantile Marine was devoted to maritime transport affairs. YEN was intertwined with the Hellenic Coast Guard (HCG) and consisted primarily of coast guard officers. Hence, aside from their policing mission, HCG officers were responsible for the formulation of maritime transport policy, labour issues, maritime education and the

representation of Greece in international fora such as the IMO and the EU.

In the post-authoritarian period, the provision of coastal shipping services was a cabotage trade, reserved solely for ships that were registered under the Greek flag. In tandem, with the objectives of preventing ‘catastrophic competition’ between coastal shipowners, protecting the passengers from ‘predatory pricing’ and ensuring the territorial integrity of the islands with the mainland, coastal shipping was underpinned by the ‘system of licenses’ (Steer Davies Gleave 2005, Giannopoulos and Aifandopoulou-Klimis 2004, Lekakou 2002, OECD 2001, Psaraftis 1998, Sturney, Panagakos and Psaraftis 1994). YEN was central to this arrangement, maintaining substantial discretion in the allocation of licenses to coastal shipowners for the operation of passenger ships on island routes. Although there were a number of technical and commercial criteria, the issuance of licenses was not a transparent process, resulting in specific coastal shipowners operating exclusively on island routes for a period of over three decades. As a consequence, coastal shipping became synonymous with old passenger ferries, unreliable services and a poor safety record (Lekakou 2002, Psaraftis 2002, Psaraftis 1996).

Against this background, in the 1986 package of maritime transport measures the European Commission proposed the abolition of the cabotage trades in coastal shipping across the EU member states (CEC Com 90/85). Within the EU there was discrepancy between the competitive coastal shipping services in the Northern EU member states and the highly regulated markets of the Southern member states, including Greece (Aspinwall 1995, Bredima-Savopoulou and Tzoannos 1990). The industry associations of the Greek coastal shipowners, the EEA and the EEEP,

combined with YEN and the island communities opposed the opening of the domestic cabotage trade. By contrast, there were individual coastal shipowners, the EEMFP and the UGS that favoured the liberalisation of domestic coastal shipping. The resistance of Greece and the Southern EU member states brought the EU discussions to an impasse. In the ensuing negotiations, the European Commission put forward several formulae for overcoming the stalemate. Most notably, in 1989 the European Commission proposed the establishment of single European ship registry (Euros) that would operate in parallel to the member state flag registries (CEC Com 266/89). The dual objectives of Euros were enhancing the competitiveness of Community fleet and bolstering EU seafarer employment (Selkou and Roe 2004, Stevens 2004, Lyons 2000). In tandem, it was advanced that only the ships featuring on this supplementary register would be granted access to the EU cabotage trades (Aspinwall 1995). Nonetheless, the Greek shipowners and most prominently the UGS were against the creation of a single EU ship registry. Arduous negotiations followed culminating in Regulation 3577/92 as a political compromise recognizing a derogation period of eleven years for the opening of the Greek cabotage trades. Regarding this period, there was limited evidence of the Europeanisation of the domestic state corporatist arrangement between the Greek state and the coastal shipowners. Hence, in a unitary state with weak integrated leadership, the convergence of formal and factual veto points against reform entailed the limited impact of EU pressures on the domestic institutional configuration.

However, in anticipation of the January 2004 completion of the derogation period, there were changes to the market structure of coastal shipping that had extensive repercussions for the domestic state corporatist arrangement. In emulating the

business practices of the Greek coastal shipowners that were prevailing on the routes of the Adriatic Sea Corridor, the domestic coastal shipping market was recalibrated through industry consolidation, corporate restructuring and fleet modernization (Steer Davies Gleave 2005, OECD 2001). In tandem, the availability of equity capital through the burgeoning Athens Stock Exchange buttressed fleet expansion and market growth. A handful of large coastal shipping companies emerged, altering the internal composition and power dynamics of the EEA and the EEEP. Most notably, the industry associations shifted their position from detractors to supporters of the liberalisation of the cabotage trades. Although the completion of the derogation period was approaching rapidly and despite the intermittent reminders by the European Commission, YEN the incumbent Greek governments did not initiate any reform to the 'system of licenses'. Rather, the robustness of the state corporatist arrangement was illustrated in the attempts of Attica Group and Strintzis Lines to gain access to the lucrative Cretan routes in the late 1990s. Following opposition from the formal and factual veto points of the incumbent Cretan companies and the island community, YEN refused to issue new licenses. Nonetheless, in the aftermath of the accident of the *Express Samina*, Law 2932/01 was adopted with the purpose of accelerating the opening of the domestic cabotage trades, commencing from November 2001. Under the reformed regulatory framework the system of licenses was abolished, competition was introduced to the operation of the island routes and the participation of a large number of stakeholders, primarily local authorities was sanctioned through the revised composition of the Council of Coastal Shipping, the advisory body to the YEN Minister. In conjunction, the Regulatory Agency for Coastal Shipping (RHATE) was setup as a new body with the purpose of ensuring conditions of free and fair competition in the domestic coastal market. At the same time, there were

discrepancies between Law 2932/01 and Regulation 3577/92 that were communicated by the EEA, the EEEP and the European Commission to YEN. Unlike the stipulations of the EU legislation, the fares were not liberalized and a maximum ferry vessel age of thirty years was established.

Subsequently, in spite of the advent of January 2004 the terms of liberalisation remained under negotiation between YEN, the European Commission, EEA, EEEP and the island communities. There was a heightening in the usage of EU material and immaterial resources by the respective actors in shaping the domestic political process. With respect to EU immaterial resources, the notions of 'European interests', 'European constraints', 'European economy', 'European competition' and 'European integration' were utilized in legitimating ways by the domestic actors in advancing their interests. Similarly, material resources in the form of EU institutions and policy instruments were used by the coastal shipowner associations in accomplishing the completion of the liberalization of the coastal market. The coastal shipowner associations cited innumerable times the EU Directive 3577/92 in statements, speeches, declarations, memoranda and letters in seeking policy reform. Alongside meetings with YEN and the Greek government, direct contact was pursued by the EEA and the EEEP with officials in DG TREN, DG Competition and Greek MEPs and indirect channels of influence were utilized in the form of the European Community Shipowners' Association (ECSA) and Interferry. Concurrently, there is evidence of mobilization by the island communities in safeguarding the provision of safe, reliable and affordable coastal services through the formation of island and inter-island committees, public demonstrations and participation in European associations. Direct contact was established with DG TREN and Greek MEPs whilst indirect

influence was pursued through the European associations of Insuleur and the Islands Commission of the Conference of Peripheral Maritime Regions of Europe (CPMRE). In addition, the European Commission initiated infringement proceedings against Greece for incorrect application of EU legislation on the liberalisation of coastal shipping.

The pressures from the European Commission for the complete liberalisation of coastal shipping, combined with the responses of the domestic actors were altering the state corporatist arrangement that prevailed for over three decades. The loosening of the preferential ties between YEN, and the coastal shipowners that held the operating licenses is witnessed. Rather, a more transparent arrangement is emerging, fostering market competition and institutionalizing the participation of a representative of the local communities in the CTC and the involvement of various levels of local government in the National Shipping Policy Council. Overall, in the case of coastal shipping, there is evidence of the loosening of the state corporatist arrangement encompassing the Greek state and the coastal shipowners. This is contingent on the unitary nature of the state, its inability to exercise 'integrated leadership', the incongruence between EU and domestic policies, the limited capacity of coastal shipowners for capital mobility and the presence of an influential factual veto point in the form of the island communities.

Maritime safety standards for ocean-going shipping were historically negotiated and agreed at the international level. In the post-war years, the International Maritime Organization emerged as the primary locus for the adoption of measures on the improvement of maritime safety and the prevention of marine pollution (Farthing

1987, Mankabady 1986, Mankabady 1984, Simmonds 1963). Greece developed an influential position within the IMO which was attributed to membership in the IMO Council, the provision of technical expertise and the active attendance of internal meetings. In spite of its accomplishments, it was maintained that the effectiveness of the IMO was lessened by the inconsistent implementation of internationally agreed rules, the absence of an enforcement mechanism, slow decision-making and the endorsement of lowest common denominator outcomes (O'Neil 1998, Haralambides 1998).

These shortcomings constituted 'windows of opportunity' for the European Commission to expand its competence in maritime safety regulation. Indeed, the high-profile maritime accidents involving the single-hull tankers *Erika* and *Prestige* were the catalyst for the European Commission to put forward proposals that on the one hand, sought to address the weaknesses of the international maritime safety framework, and on the other hand, questioned the primacy of the IMO. Amongst the proposed legislation, the accelerated phasing-out of single-hull tankers and the establishment of criminal sanctions for ship source pollution proved the most controversial for the Greek ocean-going shipowners (CEC Com 142/00, CEC Com 105/03). In response there was extensive evidence of the use of EU material and immaterial resources by the Greek shipowners in seeking to halt or amend the EU initiatives. Immaterial resources were used in cognitive and strategic ways with the intention of altering the interpretation of the causes of maritime accidents that prevailed within the European Commission. Through letters, reports and technical research the UGS and the GSCC sought to persuade the European Commission officials, MEPs and representatives of EU national governments that the maritime

accidents of the *Erika* and the *Prestige* were not caused by the employment of single-hull tankers. Alternatively, attention was drawn to several aspects of maritime safety including the condition of the vessel, port-state control and the designation of places of refuge (Embiricos 2004, Lyras 2000). Likewise, attempts were made to highlight the counterproductive implications of the ship-source pollution measures on the competitiveness of the EU shipping industry and the attraction of new seafarers to the profession. It was maintained that the IMO was the appropriate level for the discussion, negotiation and endorsement of international maritime safety rules. In tandem, EU material resources were utilized by the UGS and the GSCC in cognitive and strategic ways. Direct contact was established with European Commission officials in DG TREN, DG Environment and DG Justice, MEPs, especially in the Transport Committee of the European Parliament.

Yet, it was maintained that the diverse national, party political and functional interests represented in the European Parliament complicated the favourable shaping of MEP decisions. In strengthening the communication of shipping interests to the European Parliament, the Intergroup on Maritime Affairs was established by a coalition of international shipping industry associations. Indeed, alongside the direct lobbying efforts of the Greek shipowners, the existing European and international associations were utilized as an indirect route to the EU institutions, notably ECSA, International Chamber of Shipping (ICS), Intertanko, Intercargo, and Baltic and International Maritime Council (BIMCO). With the exception of ECSA, these associations traditionally concentrated on IMO lobbying. Yet, in parallel to the growth of EU maritime transport regulation, there was evidence of the formulation of strategies and the political mobilization of the international industry associations at the EU level.

ECSA was the first port of call due to its accumulated understanding and experience of the EU political process. Despite the prominent position of the UGS within ECSA, the interests of the Greek shipowners were diluted as consensus was sought amongst the EU member state shipowners. ECSA was perceived by some stakeholders as being at times “too close to the European Commission”. In addition, the international industry associations were committing resources in directly engaging with the EU institutions, notably Intertanko hiring a Brussels-based political consultancy and BIMCO appointing the former EU Transport Commissioner Neil Kinnock as EU liaison officer. The competence of the Greek shipowners in lobbying the EU institutions was attributed to their ability to tap in the resources and networks of the international associations. Shipping interests maintain a long history of associability beyond the national level with a substantial degree of expertise and contacts. Yet, it was not in the tradition of the shipping industry to commit funds for lobbying efforts or public relations campaigns (Van Dyck 2005). Moreover, in pooling resources and avoiding duplication the international industry associations formed coalitions with the purpose of improving the effectiveness of EU lobbying. It was advocated that the UGS and the GSCC were integral to the co-ordination of the lobbying efforts of the international shipowner associations. Furthermore, the Secretary-General of the IMO was another source of influence and legitimacy in articulating the interests of the shipping industry.

As the EU muscled into a sector characterized by dense transnational activity, there is considerable evidence of the employment of EU material and immaterial resources by the Greek shipowners. As the EU expanded its competence in international maritime safety regulation there is evidence of the reinforcement of the state corporatist

relations between the Greek state and the ocean-going shipowners. Resting on existing interpretations of the domestic impact of European integration, it could be anticipated that state corporatism would be weakened as the Greek state articulated the interests of other domestic constituencies such as environmentalists or the general public. It was argued that European integration entailed the retreat of the Greek state and political parties, expanding the opportunity structure for other interest groups (Kazakos 2004, Mouzelis and Pagoulatos 2002, Ioakimidis 1996, Diamandouros 1994). Nonetheless, in response to the EU initiatives the relationships between YEN, UGS and the GSCC are tightened. The positions represented by the Greek government at the EU level are fully aligned with the interests of the Greek shipowners. There is continuous consultation between the two industry associations and YEN in the formulation of positions and the coordination of lobbying efforts. This is exemplified in European Council voting patterns with the Greek government finding itself marginalized among EU member states on several instances. Hence, the direction of domestic change is contingent on four conditions encompassing the unitary nature and low 'integrated leadership' of the Greek state, recognition of incongruence between the EU proposals and international rules and the ensuing employment of EU material and immaterial resources by the Greek shipowners. However, most importantly in reinforcing the state corporatist arrangement, the Greek ocean-going shipowners maintain structural power and were not counterbalanced by other influential domestic formal or factual veto points. If national or EU legislation were overly onerous compared to other jurisdictions, shipowners were in a position to withdraw their vessels from the Greek registry and transfer their operations to other international maritime centers. In conjunction, the structural power of the Greek ocean-going shipowners is compounded by a substantial contribution to the national

economy in the form of foreign exchange income, employment, technology transfer and investment in a variety of industries.

The purpose of this dissertation was to analyse the domestic impact of the expanding EU competence in maritime transport on the state corporatist arrangement encompassing the Greek state and the shipowners. The concept of Europeanisation was employed as an interactive process involving the 'top-down' effects of European integration on domestic politics and the 'bottom up' usage of EU resources by domestic actors in shaping the domestic and EU political process. The arguments advanced are sustained by analysing the domestic impact of Europeanisation in two different segments of the Greek shipping industry, the ocean-going and coastal shipping sectors. Although there is evidence of the re-shaping of the relations between the Greek state and shipowners, it is argued that the domestic impact of Europeanisation was fragmented and differentiated across the ocean-going and coastal shipping sectors (Featherstone 2005, Featherstone and Kazamias 2001, Featherstone 1998). More specifically, it is maintained that the direction of change is contingent on four conditions. Firstly, it is related to the nature of the Greek state and its ability to exercise 'integrated leadership'. Secondly, domestic actors recognise and respond to the existence of incongruence between the EU initiatives and domestic or international policies. Thirdly, Greek shipowners have the capacity to exit from the domestic configuration through capital mobility. Fourthly, the existence of formal and factual veto points, alongside the shipowners that are influential in the domestic political process.

Chapter 8

Chapter 8: Conclusion

Against the background of EU expansion in maritime transport regulation, the purpose of this dissertation was to analyze the domestic impact of Europeanisation on the state corporatist arrangement between the Greek state and shipowners. According to existing accounts of the Europeanisation of domestic politics in the Southern EU member states, the loosening of state corporatism would be anticipated. However, the empirical evidence from the ocean-going and coastal shipping segments indicates that the domestic impact of Europeanisation is differentiated.

In the case of ocean-going shipping, the European Commission initiated measures on the accelerated phasing-out of single-hull tankers and the constitution of criminal sanctions for ship-source pollution that were opposed by the Greek shipowners and YEN. In the ensuing negotiations that spanned the national, European and international levels there is evidence of the reinforcement of state corporatism between the Greek state and the ocean-going shipowners. This was contingent on the unitary nature of the Greek state, the absence of integrated leadership, the incompatibility between EU and international policies, the capital mobility and related structural power of the ocean-going shipowners and the weakness of the other formal or factual veto points in the domestic political process.

In the case of coastal shipping, the European Commission pursued the abolition of cabotage restrictions in the coastal shipping sectors across the EU member states. There was considerable political activity as the European Commission, the coastal shipowners, YEN and the island communities negotiated the terms of liberalisation. In

this instance, the domestic impact of Europeanisation is associated to the loosening of state corporatism between the Greek state and coastal shipowners. In spite of the unitary nature of the state, the lack of 'integrated leadership' and the incongruence between the EU and domestic policies, the coastal shipowners were more embedded at the national level and contended with the island communities as an influential factual veto point.

Certainly, in the case of Greece, the prevailing view is that Europeanisation is reconfiguring the relations between the state and business interests. The majority of the respective literature points to the retreat of the state and political parties and the expansion of the opportunity structure to include a variety of interest groups and non-traditional political forces (Pagoulatos 2003, Mouzelis and Sotiropoulos 2002, Morlino 2002, Ioakimidis 1996). Nonetheless, the evidence presented in this dissertation supports the approach that the 'disjointed corporatist' arrangement of state-business relations refracts the process of Europeanisation, spawning a fragmented and asymmetric domestic impact (Featherstone 2005, Featherstone and Kazamias 2001, Lavdas 1997). As the EU expanded its competence in maritime transport regulation, there was evidence of the loosening of state corporatism in coastal shipping, whereas the relations between the Greek state and the shipowners were reinforced in ocean-going shipping.

Moreover, some broader observations can be made on the patterns of change and continuity with respect to the dominance of the political parties and the autonomy of local political forces (Featherstone 2005, Sotiropoulos 2004, Lyberaki and Tsakalotos 2002, Sotiropoulos 1993). National policies on ocean-going and coastal shipping

remained consistent and continuous in spite of a succession of different governments in the post-authoritarian years. The leading political parties PASOK and New Democracy supported on the one hand, the repatriation and retainment of ocean-going shipowners and on the other hand, the cabotage restrictions and 'system of licenses' in coastal shipping. Although the employment and promotion procedures in YEN and the Hellenic Coast Guard were penetrated by party politics, there was an absence of evidence that national shipping policies were subject to government alternations and party affiliations. Largely insulated from party politics, the formulation of national shipping policy was a technocratic process involving experts from YEN, the Hellenic Chamber of Shipping and the Greek shipping companies. In addition, this knowledge and expertise underscored Greece's influential position in the IMO fora, providing an untypical example of a small country holding disproportionate negotiating power in an international organisation. Yet again, the continuity in national shipping policies can be primarily attributed to structural power and capital mobility of the Greek shipowners, shaping the state corporatist arrangement in their favour.

Furthermore, the coastal shipping case study draws attention to influential political position of the island communities within the state corporatist arrangement. By and large, Greek civil society and local politics are theorised in the literature as being penetrated by party politics and economic interests (Sotriopoulos 2004, Mouzelis and Pagoulatos 2002, Lyberaki and Tsakalotos 2002). As presented in the respective case study, there is evidence of local political autonomy and political mobilization that was divorced from political parties and central government. Throughout the period under investigation, the island communities sought to ensure the provision of cost-effective and reliable transport services. This was illustrated with their initiative of establishing

people-based companies in the early 1970s and their active participation and contribution to the negotiating process on the liberalisation of the cabotage trades.

The evidence collected as part of this dissertation demonstrates that the process of Europeanisation is reshaping the domestic political arrangement in relation to Greek shipping. The direction of this change though is not conclusive and is contingent on a number of identified conditions. Future research needs to test the explanatory value of these conditions against the shipping segments of other member states or industry segments in Greece that may share similar characteristics, especially the capital mobility of the business interests. In addition, a comparative study between the ocean-going segments of Greece and Norway (a non-EU member state with a comparable shipping fleet) could be instructive in distinguishing the impact of Europeanisation from other global or domestic sources of political change.

With respect to Greek comparative politics, this dissertation sought to collect empirical data and provide a theoretical framework for understanding the state business relations in the shipping sector. In spite of the national significance of the ocean-going and coastal shipping segments, the existing literature has afforded limited attention to the politics of Greek shipping. This dissertation has attempted to remedy this, although there is further scope for an in depth analysis and theorization of the relations between the Greek state and the shipowners. The concept of state corporatism was put forward as the most appropriate interpretation of the empirical findings, corroborating and elaborating upon Lavdas (1997) brief political analysis of this industry segment. However, additional research should be conducted in testing

this conceptualization against theoretical alternatives in the literature on state-business relations.

Furthermore, the empirical case studies unearthed a number of puzzles that depart from the established interpretation of the Greek political process. Primarily in relation to ocean-going shipping and increasingly in coastal shipping, technocratic institutions and technical experts influence the agenda and largely shape the policy outcomes. The role of expertise in Greek politics has received attention only in recent years, notably Ladi's (2005, 2004) studies on constitutional reform and environmental policy transfer. The respective concepts could be applied in establishing the existing or increasing importance of experts in shipping policy reform against the broader themes of Europeanisation and modernization. At the same time, the apparent insulation of shipping from party politics provides a challenge to the prevailing conceptualization of the Greek state as 'colossus with feet of clay' penetrated and instrumentalised by party politics. (Mouzelis and Pagoulatos 2002, Sotiropoulos 1993, Mouzelis 1990). As this is attributed to the capital mobility of the ocean-going shipowners, future research can test shipping's apparent 'exceptionalism' in comparison to other industry segments and policy fields. Moreover, the political mobilization of the island communities highlights the significance of territorial politics in the coastal shipping political configuration. This indicates the presence and involvement of overlooked political forces that are not necessarily dominated by the state or the incumbent political party (Morlino 2005, Lyberaki and Tsakalotos 2002). There could be scope for researching the political engagement of regional or local communities across other industries and policy issues (Paraskevopoulos 2001, 1998). Indeed, these are areas

that merit further investigation and may open new avenues for debate in Greek comparative politics.

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I. Bibliography

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II. List of Interviewees

Dr. Anagnostou, George
Deputy Technical Director, *Attica Group* (March 21, 2006, Written Responses).

Bardot, Andrew
International Group of P&I Clubs (March 30, 2006).

Belcher, Phillip
The Honourable Company of Master Mariners (March 15, 2006).

Bennett, Simon
Secretary, *International Chamber of Shipping* (February 23, 2006).

Bourne, Chris F.
Executive Director, *European Liner Affairs Association* (April 3, 2006).

Brownrigg, Mark
Director-General, *The Chamber of Shipping* (March 27, 2006).

Burghelle-Vernet, Philippe
Head, Maritime Transport Policy & Maritime Safety, Directorate General for Energy and Transport, *European Commission* (April 3, 2006, Written Responses).

Dickinson, Mark
Assistant Secretary-General, *National Union of Marine Aviation and Shipping Transport Officers* (April 18, 2006, Telephone Interview).

Callens, Hugo
Secretary-General, *European Tugowners Association* (March 30, 2006, Telephone Interview).

Cator, Julie
Policy Director, *Oceana* Brussels (April 5, 2006, Telephone Interview).

Chrysovitsanos, Christos
As. Operations Manager, *Victoria Steamship Company* (October 10, 2005)

Embiricos, Epaminondas
Embiricos Shipbrokers Ltd., Chairman of the *Greek Shipping Cooperation Committee* (March 14, 2006).

Espinoza-Ferry, Jo
Head, Policy and Planning Unit, Office of the Secretary-General *International Maritime Organisation* (March 17, 2006).

Everard, Michael
Chairman, F.T. Everard & Sons, former President of *Baltic and International Maritime Council* (March 21, 2006).

Dr Giannopoulos, Georgios
Director, *Hellenic Institute of Transport* (March 26, 2006, Written Responses).

Grey, Michael
Maritime Editor, *Lloyd's List* (March 7, 2006).

Hadjipateras, Yannis Markou
John C Hadjipateras & Sons Ltd, Member of the *Greek Shipping Cooperation Committee* Council (February 28, 2006).

Frisk, Christopher
Head of Brussels Representation, *Swedish Shipowners Association* (April 13, 2006, Telephone Interview).

Hansen, Jan Fritz
Director, *Danish Shipowners' Association* (March 23, 2006, Telephone Interview).

Hansen, Jorgen Hammer
Director-General, *Danish Maritime Authority* (April 7, 2006, Telephone Interview).

Dr. Haralambides, Hercules
Professor of Maritime Economics, *Erasmus University* (April 4, 2006, Telephone Interview).

Captain Hesse, Hartmut G.
Senior Deputy Director, Sub-Division for Operational Safety, Security and Human Element, *International Maritime Organisation* (March 13, 2006).

Rear Admiral H.C.G. Kalyvas, Nicholas
Maritime Safety Advisor, *Hellenic Register of Shipping* (March 29, 2006, Telephone Interview).

Kazakos, Thomas
Secretary-General, *Cyprus Shipping Council* (April 4, 2006, Telephone Interview).

Kelly, Martin B.
General Counsel, *Oil Companies International Marine Forum* (March 7, 2006).

Kontopoulos, Petros E.
Deputy Maritime Affairs Attaché, *Greek Permanent Representation to the International Maritime Organisation* (April 10, 2006, Telephone Interview).

Kourouniotis, Ioannis
Maritime Transport Attaché, *Greek Permanent Representation of Greece to the European Union* (March 23, 2006).

Krassakopoulou, Yiota
Legal Advisor, *Attica Group* (April 11, 2006, Telephone Interview).

Kulukundis, Stathes J.
Rethymnis & Kulukundis Ltd, Member of the *Greek Shipping Cooperation Committee* (March 8, 2006, Written Responses).

Lacey, Michael
Secretary-General, *International Salvage Union* (March 15, 2006).

Lomas, Rob
Manager, *Intercargo* (March 22, 2006).

Maes, Willy
Head, Motorways of the Sea and Intermodality Directorate G - Maritime and inland waterway transport; Intermodality, Directorate General Energy and Transport, *European Commission* (April 6, 2006, Telephone Interview).

Markides, Paul
Director, *Oil Companies International Marine Forum* (March 7, 2006).

Melenec, Eric Louis
Former Managing Director, *European Cooperation Maritime Agency* (March 27, 2006, Telephone Interview).

Mitropoulos, Efthimios E.
Secretary-General, *International Maritime Organisation* (March 17, 2006).

Captain Mitsatsos, Dimitris
Director-General, *Hellenic Marine Environment Protection Association (HELMEPA)* (April 8, 2006).

Moorhouse, David
Chairman, *Lloyd's Register* (March 13, 2006).

Papachristidis, Basil
Chairman, Hellespont Steamship Corporation, former President of *Intertanko* (March 10, 2006).

Papageorgakis, Christos
Advisor on Shortsea Shipping, *Mediterranean Cargo Vessels Shipowners Union* (March 25, 2006, Written Responses).

Captain Paturzo, Raffaele
Marine Operations Manager, *Teekay Shipping Co.* (March 24, 2006).

Psaraftis, Harilaos N.
Professor of Maritime Transport, *National Technical University of Athens*, Former Chief Executive Officer of Piraeus Port Authority (March 8, 2006, Written Responses).

Polemis, Spyros M.
Seacrest Shipping, Vice Chairman of the *Greek Shipping Cooperation Committee Council* (March 2, 2006).

Richartz, Saskia
EU Marine Policy Advisor, *Greenpeace* (March 9, 2006, Telephone Interview).

Roueche, Len
Chief Executive Officer, *Interferry* (March 21, 2006).

Simmonds, Gavin
Head, International and Defence Policy, *The Chamber of Shipping* (March 27, 2006).

Smart, Robert D.
Head of External Affairs, *Lloyd's Register* (March 23, 2006).

Stamouli Maria,
Legal Counsel, *Blue Star Ferries* (May 25, 2006 Written Responses).

Timlen, Thomas
International Affairs Liaison, *Baltic and International Maritime Council* (March 15, 2006).

Tsenebis, Ioannis
Director, *Hellenic Chamber of Shipping* (May 3, 2006, Telephone Interview).

Tytgat, Christophe
Executive Advisor, *European Community Shipowners' Association* (March 22, 2006, Telephone Interview).

Van Houdt, Florencia
Maritime Policy Task Force, DG Fisheries and Maritime Affairs, *European Commission* (March 28, 2006, Telephone Interview).

Vopel, Ronald
Unit Aerospace, defence and maritime industries Directorate General Enterprise and Industry, *European Commission* (March 27, 2006, Telephone Interview).

Willingale, Malcolm
Group Services Director, *V.Ships* (March 1, 2006).

III. Press and Industry Publications

- *Lloyd's List*
- *Lloyd's Shipping Economist*
- *Tradewinds*
- *Fairplay*
- *Naftemporiki*
- *Naftika Chronika*
- *Greek Shipping Vision Magazine*
- *O Efoplistis*
- *To Vima*
- *Kathimerini*
- *Eleftheros Typos*
- *Epilogi*
- *Financial Times*