REVISTA DE NEGÓCIOS
Inovação e Estratégia em Organizações

http://dx.doi.org/10.7867/1980-4431.2023v28n3p5-20

POLICY DECISIONS AND INSTITUTIONAL CHANGE EFFECTS OF BRAZILIAN FOOTWEAR INDUSTRY INTERNATIONALIZATION

Ismael Alan Halberstadt
Mestre em Administração
Universidade Federal de Santa Maria - UFSM
E-mail: ismaah@hotmail.com

Ivanete Schneider Hahn
Doutora em Administração
Universidade Federal de Santa Maria - UFSM
E-mail: ivischneider@hotmail.com

Flavia Luciane Scherer
Doutora em Administração
Universidade Federal de Santa Maria - UFSM
E-mail: flaviascherer@globo.com

Submissão: 06/09/2023 - Aceite: 03/01/2024.

ISSN 1980-4431 | *Double blind review*

POLICY DECISIONS AND INSTITUTIONAL CHANGE EFFECTS OF BRAZILIAN FOOTWEAR INDUSTRY INTERNATIONALIZATION

Abstract

This article focuses on analyzing the main policy decisions that resulted in institutional changes and their effects in the internationalization process of the Brazilian footwear industry. A longitudinal documentary research was carried out and we used as sources government bases (IBGE and MDIC), representative entities of the industry, Comex Stat - MDIC, UNCTAD, Abicalçados website, and others. We used the last 30 years (1988-2018) as a time frame. The main findings are that: (1) the decisions of the federal government such as opening the Brazilian market to foreign products / reducing import tax rates, the implementation of The Real Plan, anti-dumping policies, payroll tax exemptions, and Brazilian Labor Reform have an impact on the internationalization of the footwear industry; (2) the internal competition generated by the actions of the state governments shows itself capable of impacting the location of the production centers and the displacement of the primary footwear exporting agents. Managers should evaluate the political environment (in-state and country-level) before the relocation of manufacturing plants, given that tax incentives and opportunities for cheap labor can benefit the industry competition in looking international markets. This paper contributes to the understanding of the impact of critical factors related to the trajectory market up to the 1990s (Fleury and Fleury, 2011).

Keywords: Institutional Theory. Import. Export. Documentary Research.

1. Introduction

Firms in emerging economies, such as Brazil, are committed to internationalizing processes as a means of protecting themselves from the instability existing in their domestic markets (Monticelli *et al*., 2017). However, Brazilian firms have been late to internationalize, first because of the huge domestic market, and second because of the protectionist measures that isolated the domestic market up to the 1990s (Fleury and Fleury, 2011).

Once the internationalization process (of sectors) started, evolved in an asymmetric and non-uniform way in specific historical periods. This is because the formal institutions (at the governmental/ regulatory level) are shaped according to political conjunctures. At certain times they act proactively and in others in a restrictive way (Cuervo-Cazzura, Gaur, and Singh, 2019). Previous studies have already shown how institutions can influence a sector (Prochnik and Une, 2002; Souza, 2003; Costa, 2007; Queiroz, 2012; Calixto *et al*., 2013).

Government involvement has a strong effect on international expansion. Moreover, different types and levels of governments have different objectives, exert different institutional pressures on firms, and impact their willingness and ability to internationalize differently. Government involvement influences the level of overseas investment, its location (developed vs developing countries), and its type (resource vs. market-seeking) (Wang *et al*., 2012).

These political conjectures are basically determined by political decisions and governmental issues, which are research topics increasing in recent years. For example, literature shows the relationship between the impeachment of former president Dilma Rousseff and the investment of Brazilian companies (Jucá and Fishlow, 2021). Moreover, research about the relationship between electoral processes and organizations' investment (An et al., 2016; Jens, 2017; Wang *et al.*, 2014), as well as between dictatorial regimes and private investment (Albertus and Gay, 2019; Marquis and Qiao, 2020); the relationship of widespread protests and institutional policies in an oil-dependent economy (Houeland, 2020), political decisions and the growth of business groups (Gama, Bandeira-De-Mello and Spuldaro, 2018), among other studies are being conducted.

On the other hand, studies focusing on analyzing the government effects in firms' internationalization, used to be developed at the firm level, such as Monticelli, Garrido, and Vasconcellos (2017) that based on Brazilian wine industry insights, verified that government cannot afford resources to benefit or protect all the industries, as well as cannot provide incentives to all firms. So, at the firm level, the authors explain that the firm's choices are based on trying to achieve economic advantages through political influences. However, studies focused on analyzing policy decisions that resulted in institutional changes and their effects on internationalization at the industry level, which is the objective of this article, to the best of our knowledge, are not present in the literature.

So, we looked at this gap, and this article focuses on analyzing the main policy decisions that resulted in institutional changes and their effects on the internationalization process of the Brazilian footwear industry. We understand that institutional transitions (in case, policy decisions) can be related to internationalization growth (or retraction) in emerging countries. Strategically, it can help to understand the impact on different sectors and a historical approach to help construct a longitudinal panorama on the understanding of critical factors related to the trajectory of internationalization in emerging countries (Cuervo-Cazzura, Gaur, & Singh, 2019).

This article is structured in the following sections. This first presents the context of the study, the research gap, its objectives, and its contributions. Then, the theoretical framework that links the internationalization context with institutional theory is drawn. In the third session, the research procedures are presented, followed by the results and discussions. Finally, limitations and suggestions for future research are discussed.

2. Theoretical Framework

The internationalization of companies was a topic with its first specific and prominent studies in the 1970s (Johanson & Wiedershein-Paul, 1975; Johanson & Vahlne, 1977). Over the years, studies have addressed different assumptions. Some consider endogenous and strategic aspects of the company so that the internationalization process can be started – explained by the Market Power Theory (Hymer, 1960), Internalization Theory (Buckley & Casson, 1976; 1998), by the Eclectic Paradigm (Dunning, 1977; 1980) and by the Theory of International Entrepreneurship (Mcdougall & Oviatt, 1997).

Such approaches predominantly credit the company's (or specifically the entrepreneur's) endogenous factors for the process of starting activities abroad. On the other hand, a theoretical field considers that exogenous factors foster the internationalization process. This train of thought is aligned with deterministic models of different stages during entry and expansion in the foreign market (Johanson & Wiedershein-Paul, 1975; Johanson and Vahlne, 1977).

Among the exogenous factors, noteworthy is the Institutional Environment (IE), which theoretically is crystallized as "the rules of the game" (North, 1991). Institutions arise to reduce transaction costs arising from uncertainties related to the realization of generated business. Put another way; institutions formalize how players should act within each game. Following this analogy, each IE (in this article considered a country) is a board with different players.

The IE can be explained by Institutional Theory (IT), which is also widely accepted and used as a background to help the development of studies on internationalization (Hoskisson *et al.*, 2000; Meyer *et al.*, 2000; Kostova, Roth, and Dacin, 2008; Peng, Wang, and Jiang, 2008). The Institutional Theory migrated its focus which was previously based on the experience of developed countries (specifically the Nordic ones) (Johanson and Vahlne, 2009), to the study in emerging countries (Hoskisson *et al*., 2000). This article has its background on Arnold and Quelch (1998), which explains that emerging countries as those with a high rate of economic development and government policies that benefit economic freedom and free markets.

Institutions arise to reduce uncertainties about the execution of exchanges, acting like the game's rules (North, 1991). Arend, Cario, and Enderle (2012) show that institutions act as informal limitations, going beyond just setting limits for some competition. In this way, institutions are more than unspoken rules. They are also translated through the culture of individuals since when there are no explicit rules, the conduct of individuals would be guided by customs and cultural aspects. It is essential to point out that institutions, together with technology, determine transaction costs, and when these are considerable, institutions become even more relevant (Arend, Cario, & Enderle, 2012). In this way, the institutions even start to compose as part of the transaction costs.

It is noteworthy that transition economies are most often classified as institutionally fragile, enabling the informal economy, also known as the gray economy (Peng, 2001). In turn, in this corporate weakened context, or better defined as underdeveloped. The morally contestable action of some entrepreneurs is driven to the extent that there is no specific outline of the game's rules.

2.1 Policy decisions and institutional transitions

Political risks are directly associated with government actions that deny or restrict the right of an investor/owner (Howell, 2014), that is, political risk is often conceived in terms of governmental interference with business operations, such as political acts, policy decisions, or restrictions imposed on enterprises (Kobrin, 1979).

Political risk is also related to the risk found in the capital and credit market whose potential financial losses occur when one of the contracting parties does not honor its commitments. The losses are related to the resources that will no longer be received. This type of risk can be divided into three groups highlighted by Khattab, Anchor, and Davies (2007): Country risk, as in the case of moratoria of Latin American countries; (2) Political risk, when there are restrictions on the free flow of capital between countries, states, municipalities, etc. This may originate from military coups, new economic policies, because of new elections, etc.; (3) Risk of nonpayment, when one of the parties in a contract can no longer honor its commitments (Costa & Figueira, 2017).

The existing literature in management, economics, and political science presents how political institutions are affected by political risks. Most debate rages consider the impact of democratic political institutions on foreign direct investors, once, there are several mechanisms through which political regimes could affect investors, from political risk to tax policy, to government policies affecting macroeconomic performance. This existing literature is populated by both conflicting theories and incongruous empirical results advocating either the positive or negative impact of democracy on political risk (Jensen, 2008).

What is well-known is that policy decisions cause institutional transitions, which are "fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organizations as players" (Peng, 2003: 275). Institutional transitions are generally defined as strategic-institutional steps that an initially planned economy uses to liberalize its previously closed markets (Peng, 1997; 2000; 2002; Peng & Luo, 2000). In international markets, in some cases, the transition is entangled with the government's direct commitment to the expansion of its subsidiaries, and multinational companies in their national territories (Peng, 2000). In emerging economies is often believed that the great institutional transitions are the transitions from government control to market competition (Wright *et al*., 2005).

Li, Peng, and Macaulay (2013) list three reasons why governments have continued to assert their importance in institutional transitions. First, because more formal market institutions need to be supported by strong governments (Peng et al., 2009). Second, from a cultural and historical view, governments in emerging economies today (such as Brazil, China, India, and Russia) have usually been heavy-handed in their intervention in many fields. While in democracies there are some reductions in government intervention during institutional transitions (Jensen, 2008), governments still possess considerable power in approving projects and allocating resources (Hitt *et al*., 2004; Li, Peng, & Macaulay, 2013). Third, stimulus packages made by governments since the 2008 economic crisis have strengthened government influences. "The decisions made by governments in developed economies to bail out troubled firms have emboldened governments in emerging economies not to "withdraw" but to advance government influences" (Li, Peng, & Macaulay, 2013: 207).

Scott (1995) classifies three pillars of the institutional environment of the host country: regulatory, normative, and cognitive. Regulatory refers to rules and laws of society to provide stability, transparency, and order. Normative refers to the domain of social values (culture, language, and norms of society). So, when we face that the regulatory pillar is basically done by government decisions, we can conclude that political risk obviously influences considerations of cost and risk, which in turn impacts the internationalization process (Costa & Figueira, 2017).

3. Methodological Procedure

Data from Abicalçados (2018) show that the sector is made up of more than 7,000 companies, most of them small. Brazil is the 4th largest shoe producer globally, and in 2018 it was responsible for more than 280,000 direct jobs. In 2017, more than US$ 970 million came from footwear exports to more than 160 countries of destination for Brazilian production. RAIS (2019) is more accurate and points out that in 2017 there were 276,463 direct jobs in the footwear industries. In 2018 this number dropped to 273,114, that is, a drop of approximately 1.28%. The remuneration of industries fell in 2018 compared to 2017, from BRL 1,706.15 to BRL 1,690.71, a variation of approximately 0.9%.

At the national level, more comprehensive and with more visible actions is Abicalçados, which has been operating since 1983, headquartered in Novo Hamburgo (not by chance known as the national capital of footwear). As the leading strategic guide, its mission is to represent, develop, and promote the Brazilian footwear sector with respect, excellence, and results (Abicalçados, 2020).

On the other hand, there are also more minor associations, with municipal and regional actions, such as the trade unions of the Footwear Industry of Franca, the Footwear Industries of Jaú, the Footwear Industries of Birigui, the Footwear, Clothing and Components for Footwear from Igrejinha, from the Footwear Industry, Footwear Components from Três Coroas among others. One of the main differences of these unions about Abicalçados is their central performance. Generally, these focus on actions and employer meetings in discussing agendas for the regional industry they represent, such as negotiations and negotiations with workers.

Promoting entities with the Brazilian Export and Investment Promotion Agency - APEX-Brasil (often in partnership with Abicalçados itself) seeks to promote Brazilian products and services abroad and attract foreign investment to strategic sectors of the Brazilian economy. Nevertheless, the organization supported 15,737 Brazilian companies, totaling US$ 51.5 billion, that is, 21.5% of everything exported by Brazil in 2018 (APEX-Brasil, 2019). Also, according to the organization itself, it has 347 employees, 303 of which work in Brazil and 44 abroad.

Data from Abicalçados (2018) show that the fairs generated an amount of US$ 162.335 million in sales of shoes produced in Brazil. The amount represents approximately 14.55% of the amount exported by the country in 2018, compared to the total reported by Comex Stat (2020). The macro-level counts with the capacity and competence of inspection and regulation. The government acts as the principal agent, whether at the municipal, state, or federal level. In this analysis, the main scopes are the state and federal levels. The possible consequences these had on the internationalization of the Brazilian footwear industry will be presented in sequence.

3.2 Data collection and analysis procedures

To respond to the main objective of this study, that is, to analyze the main policy decisions that resulted in institutional changes and their effects on the internationalization of the Brazilian footwear industry, descriptive research was executed. To gather information about the footwear sector, documentary research was carried out, through a search in different sources and different organizations, from government bases (IBGE and MDIC) to data collected by representative entities of the sector, such as available on free portals access as Comex Stat - MDIC, UNCTAD, Abicalçados portal and other news portals on the economy and foreign trade. The composition of the studies discussed is presented in Figure 1, which presents the secondary data sources and the primary information used.

To define the products researched in the secondary database platforms, it should be noted that all those included in the Mercosur Common Nomenclature (NCM) of root 64, which represent shoes, gaiters, and related parties, were considered. On the Comex Stat - MDIC platform, it was possible to select all specific NCM related to products used as a unit of analysis, ranging from 64.04 to 64.06.

Figure 1: Secondary data sources.

Name	Source/Type	Year	Features / criteria to filter the information
Abicalçados Annual Reports	Reports formulated by Abicalçados for its associates	2017-2018	It presents the footwear sector through national (national footwear production, number of companies, number of jobs, main regions, types of products, trade defenses) and international panoramas, including fairs and respective results of events organized by Abicalçados through commercial expeditions
UNCTAD	Trade report prepared by the United Nations Chamber of Commerce	1997-2019	Information on imports and exports from the root of code, main import destinations, and trade balance amounts.
Comex Stat	Data provided by MDIC	1997-2019	Extraction of data related to the NCM of root 64: imports, exports, and main countries with respective values, by years and months.
IBGE	IBGE data	1994-2020	Data on GDP, inhabitants, HDI of municipalities, number of inhabitants, historical data on inflation
Statist	Information on national and international footwear consumption	2010 and projections till 2023	Information and projections on the average consumption of footwear, ranking of the main footwear producers.
BNDES	Articles on the Leather-Footwear Industry	2001	Reports that present a perspective on the leather-footwear industries in the 1990s, information on local arrangements and national production.
World Bank	GDP data for emerging countries	1995-2017	GDP of emerging countries
International Trade Centre	Information about the main shoe-producing countries	2019	List of shoe-producing countries and global representation
RAIS	The report provided by the Ministry of Economy	2020	Relatório Anual das Informações Sociais – (Annual Social Information Report) RAIS presents salaries by regions and types of industries, number of employees and other social information of Brazilian workers.
CAMEX/ SDCOM	Reports on *Anti-Dumping* Measures	2020	Reports and Ordinances on Antidumping Measures sanctioned by CAMEX/SDCOM in relation to footwear imports
World Footwear	World reports on footwear production/marketing	2019	Reports and world perspectives on the production and sale of shoes by the non-profit entity

Source: the authors.

For data analysis, data triangulation was used, adopting the precepts of a longitudinal study based on an analysis of certain events, as proposed by Melin (1992). The use of a longitudinal approach to economics is a strong indication and trend for studies on internationalization (Cuervo-Cazzura, Singh, & Gaur, 2019). Melin (1992) proposed that such a longitudinal approach aims to understand the historical facts reflected in emerging countries' economies. The collection sought to contemplate different government measures that oversaw the federal executive power. Based on the last 30 years, considered the initial year 1990 – once this being the first year as it opened the Brazilian market to foreign products by reducing import tax rates.

4. Presentation and Analysis of Results

The state governments actions and consequences on the Brazilian Footwear Industry" discusses the significant impact of state-level policies, particularly in relation to the ICMS tax, on Brazil's footwear industry. The average ICMS rate is 17%, but variations occur due to each state's autonomy in setting specific rates for different production sectors. Dulci (2002) notes that these differential rates, a part of the 'fiscal war', are tactics used within Brazil's vast geographical expanse to address economic and social disparities among federative entities. This dynamic creates a complex fiscal landscape affecting the footwear industry.

The fiscal war initially had the automobile industry as the most involved industry. Moreover, agribusiness, the technology-based one, was initially established in Southeastern Brazil and migrated to Amazonas after creating the Free Economic Zone of Manaus. The same migration movement was found in the footwear leather sector, which was initially predominantly established in the south of the country and migrated to the north and northeast to take advantage of the tax incentives (Dulci, 2002).

Prochnik and Une (2002) showed that the migration of footwear industries located in the south and southeast of Brazil, still from the Brazilian industrialization of the 1960s and 1970s, occurred with great force in the 1990s and early 2000s. Industries were attracted by tax incentives and the fact that labor was cheaper in the south and southeast, which is confirmed to be true to this day.

For example, Calçados Azaleia also moved in the same direction, even before being incorporated by Vulcabrás S.A. at the time. The migration to the country's northern region emerged to reduce production costs soon after the same company began to internationalize its production with the same purpose (Milagres, 2011). The migratory movement is not something new, although until then it has not been widespread in Brazil, it is noteworthy that the same has happened to the United States, Great Germany, Britain, and France in the footwear sector: these countries verified that the costs production in emerging countries was lower than theirs, so they moved from shoe exporters to importers to take advantage of a specific economic opportunity (Lima, Borsoi, & Araújo, 2011).

It is worth noting that this migration of manufacturing plants from the south and southeast to the state of Ceará generated impacts far beyond the economic magnitudes, companies that migrated from the main footwear clusters to Ceará found cheap labor, but without qualification. Furthermore, in addition to the low labor costs, there were no union organizations to defend the rights of factory workers since the region did not have robust industrialization (Lima, Borsoi, & Araújo, 2011).

Finally, as shown by Lima, Borsoi, and Araújo (2011), the beginning of fiscal wars in Brazil took place after the opening of the Brazilian market to imports (which took place in the 1990s, during the government of Fernando Collor de Melo). The following section precisely addresses the effects of the actions of different federal governments on the internationalization of the Brazilian footwear sector.

4.1 The Federal Governments decisions and consequences in the Brazilian footwear industry

Some government actions were responsible for the Brazilian trade balance of the international trade in shoes and any internal reorganization caused by the fiscal wars between the states. Among some verified and easily evidenced are the opening of the national market to imports, the implementation of the actual plan, the anti-dumping barriers, exemptions on the payroll, and, in the end, the labor reform - as shown in Figure 2. It should be noted that even if some measures were not implemented specifically for the footwear sector, they affected it significantly.

Among some measures made possible through the 1988 Constitution is the beginning of the **market opening**. According to Francischini and Azevedo (2003), the new constitution made it possible, through the decentralization of the Union's taxation and the untying of some taxes on imports, the feasibility of importing products to Brazil. In addition, the flexibility of state and municipal public policies to attract investments. Among the main effects evidenced in the national footwear industry, the spatial reorganization of the manufacturing plants was the most evident (presented in more detail later). It was the migration of the footwear industries from the south and southeast to the north and northeast. Corrêa (2001, p. 69) presents the main motivating factors:

> Footwear companies in the South and Southeast were moving to the Northeast in search of cheaper labor and incentives from state governments. Furthermore, in some cases, seeking to adapt to production aimed at the foreign market, as the pressure competition forced the Brazilian footwear manufacturer, in addition to other measures, to reduce production and transport costs. The northeast has an advantage when remembering this aspect due to its privileged location with the United States, our leading importer.

Figure 2: Government decisions that reflected in the internationalization of the footwear sector.

Year	President	Decision	Outcomes
1990	Fernando Collor	Opening the Brazilian market to foreign products / reducing import tax rates	The internal competition in the footwear sector intensified, as the country starts to receive external competition, without clear exchange protection and domestic product valorization.
1994	Itamar Franco	Implementation of The Real Plan	Stabilization of prices and the start of control over inflation in Brazil.
2010	Luiz Inácio Lula da Silva	Implementation of anti-dumping policies	Restriction of footwear imports from China by charging an extra fee for each pair of imported footwear. Almost immediate decrease in shoe imports from China.
2011	Dilma Rousseff	Payroll tax Exemption	The footwear sector was one of the first to benefit from the reduction in taxes calculated on the payroll, reducing production costs.
2017	Michel Temer	Brazilian Labor Reform	Implementation of some changes in labor legislation to make the legislation more flexible.

Source: the authors.

In addition to this episode, another quite visible was the devaluation of the national industry, previously "protected" from international competition through high import tariffs, now at the mercy of its devaluation compared to the US Dollar (considered the main currency for international transactions). The primary measure taken by the federal government was the implementation of The Plano Real, in July 1994, during the government of Itamar Franco. **The Real Plan** was essential when the national economy suffered even more with the devaluation of its currency with international competition. Once the gradual reduction of import tariffs became a reality, the national currency, proportionally, loses its value again compared to the US dollar.

Another measure explicitly created to **control the dumping** of Chinese shoes in Brazil. The practice of dumping in the footwear sector started at the beginning of the 2000s. China was already over 40% of the leading shoe exporter to Brazil (Dutra, Poerschke, & Alvarenga, 2018). Dumping is harmful to the industry. Three specific conditions are highlighted: imports at meager prices, damage to the domestic industry, the causal link between the practice of dumping, and damage to the domestic industry (Sdcom, 2019). In the footwear sector, the practice occurred, as evidenced by Dutra, Poerschke, and Alvarenga (2018). However, although the legislation applied to footwear produced in China has, in fact, considerably reduced the export of footwear from that country, the amount exported from other producing countries has not changed. Furthermore, the effects are presented later in the section related to the Brazilian consumption of shoes and in the section that presents international competition.

Another impacting government decision was **the payroll tax exemptions.** The first by Dilma Rousseff (2011-2014), a series of actions aimed at boosting the Brazilian economy through incentives to industries, among them the payroll tax exemption. Some authors claim that the tax burden on industrial activity in Brazil constitutes a significant impediment to the economic and social development of the country's business range (Bertini & Wünsch, 2014).

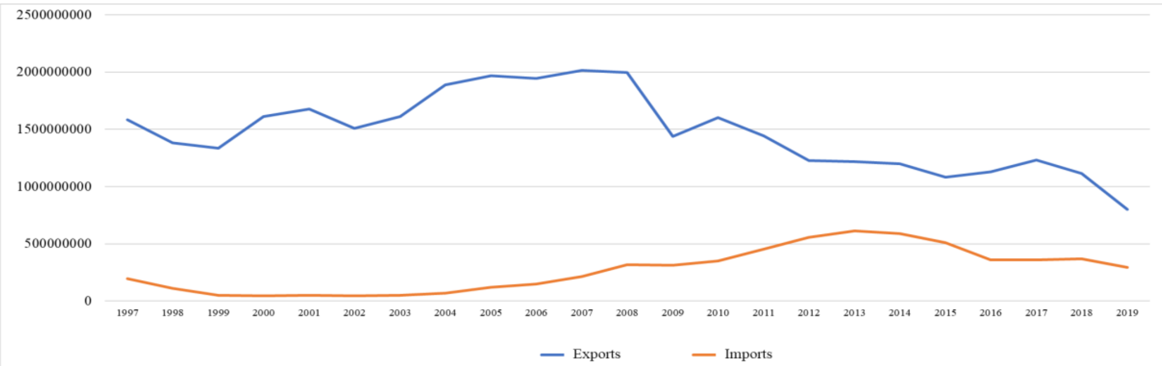
Although the payroll tax exemption took place in 2011, through law 12,546, of December 14, its effects are verified in the following years. Its main effect is to reduce the quota of 20% of employer contribution charged on the total payroll and the amount of 1 or 2% on Gross Revenue – RB is considered. Scherer (2015) shows that the average reduction reached 14.5% of the costs related to each regular employee, which indirectly helped in reducing the costs of export-oriented products. According to the author, payroll exemption increased the demand for jobs in the footwear sector, but less than expected. Bertini and Wünsch (2014), on the other hand, also show that the financial impact related to the exemption from payroll reduced the costs of companies, which consequently presented a positive financial result after the change.

Finally, although the **Brazilian Labor Reform** was not focusing on the footwear sector, it indirectly benefited from the reform. The Labor Reform is associated with the flexibility of legislation that regulates employee-employer relations, overlapping some collective agreements concerning labor laws (Abdala & Loos, 2019; Carvalho, 2017). Among the main changes provided by Law 13,467, of July 13, 2017, it is worth mentioning: flexible working hours; flexible remuneration; intermittent work and self-employed work; changes in employment contract terminations.

4.2 Impacts in Exports and Imports of the Brazilian footwear industry

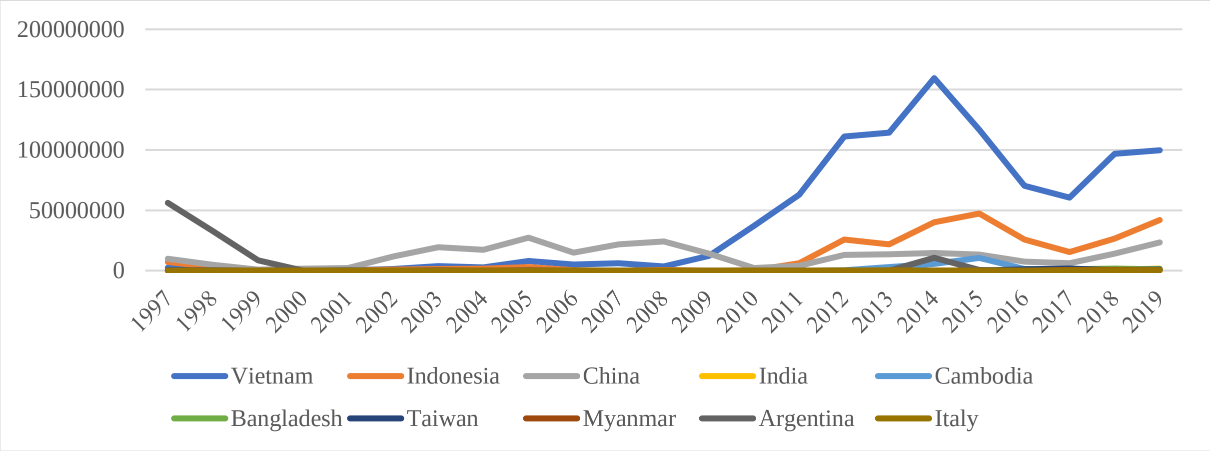
The Brazilian trade balance (imports and exports of shoes) showed a non-linear behavior over the period analyzed. As shown in Graph 1, it is even possible to identify the sector's behavior after the subprime crisis in 2008. The growth that the number of imports (orange line in the graph) obtained in the range of years 2010 to 2013 when Asian shoes began to represent threats to those produced and consumed in Brazil.

Graph 1: Brazilian footwear trade balance.



Source: elaborated by the authors based on Comex Stat (2019) data.

Graph 2: Main sources of footwear imports into Brazil from NCM 64041100, in US$ FOB.



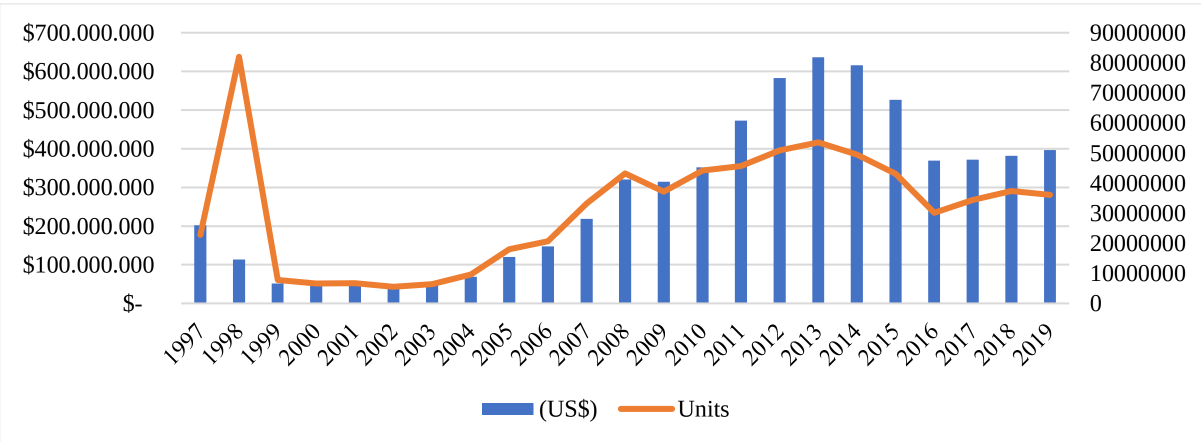
Source: elaborated by the authors based on Comex Stat (2019) data.

As the paramount footwear exporting country with Brazil as a destination (Graph 2), Vietnam stands out, which in 2019 presents almost half of the entire proportion of footwear imported to Brazil. In smaller proportions is Indonesia with 21%, China with 13% and Italy with 7.5%.

It is important to emphasize that Vietnam has some leading brands producing sports shoes, such as Nike, Adidas, Skechers, and other footwear brands dedicated to sports practices. In turn, these products from the NCM 64.04-1100 (defined as sports shoes; tennis shoes, basketball, gymnastics, training, and the like) are the most imported products to Brazil in the analyzed category. The drop in the exports of the given NCM between 2008 and 2009 from China and the consistent increase in imports from Vietnam and, to a lesser extent, from Indonesia reflects the Brazilian anti-dumping actions on Chinese shoes. Those facts can generate the "triangulation effect," where some companies stop producing a specific product in each country due to over-taxation and start producing in another that is not under restrictive trade sanctions.

From a longitudinal aspect, it is possible to see that the import of shoes to Brazil has suffered variations with similar characteristics to the GDP (see a graph of the respective GDP and BRICS countries below). It also indirectly impacted the institutional articulations of Abicalçados and restrictions of *Anti-Dumping* actions, which limited imports to a minimum unit value per product. Graph 3 shows the relationship between *Free on Board* – FOB imported values and the number of pairs imported into Brazil.

Graph 3: Relation between FOB Value of pairs of shoes imported by Brazil from 1997 to 2019.

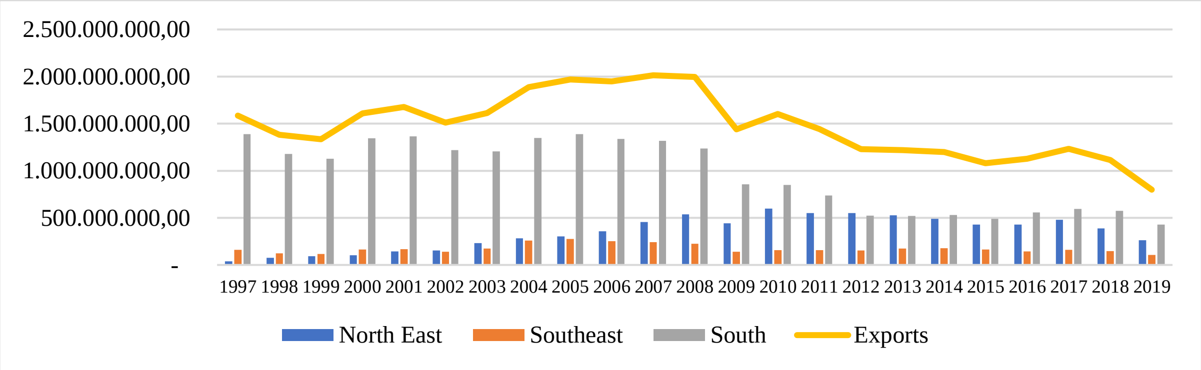


Source: elaborated by the authors based on Comex Stat (2019) data.

Considering that the main footwear clusters presented (here concerning the state governments), it is possible to verify how much they represent the trade balance in imports and exports. Graph 4, which differentiates exports by the south, southeast, and northeast, details the data.

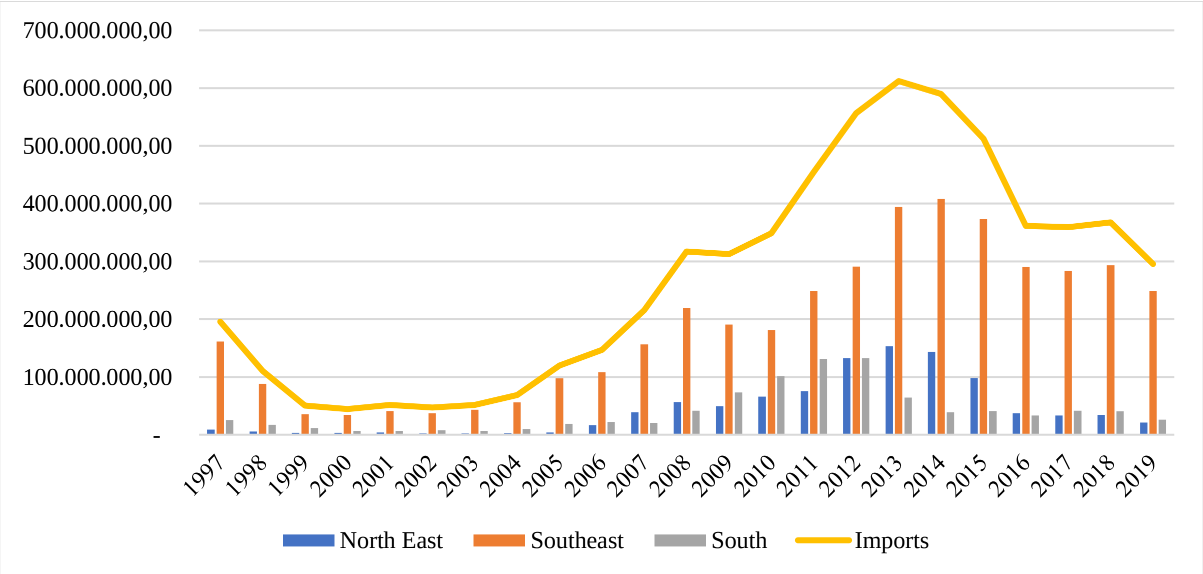
Analyzing the imports, south, southeast, and northeast regions reached the peak of imports of shoes and their parts until 2017, after which time there was a slowdown in imports of such products. As expressed in Graph 5, the Southeast region is the most representative in imports.

Graph 4: Exports of shoes and their parts US$, segregated by region.



Source: elaborated by the authors based on Comex Stat (2019) data.

Graph 5: Imports of shoes and their parts US$, segregated by regions.



Source: Comex Stat, elaborated by the authors (2020).

It is noteworthy that the three regions (not by chance the most significantly responsible for the amounts of imports and exports) have certain similarities with the national scenario. So, observing the results, Brazilian footwear exports and imports suffered impacts (positive and negative in the amounts exported) in different ways over the period, whose data are available on the Comex Stat, Statista, and UNCTAD platforms. Despite small divergences between the different bases, the period between the first and second terms of President Luís Inácio Lula da Silva was one of significant expansion in footwear exports. To a lesser extent, imports also grew. In the second term of President Lula, the so-called crisis of 2008 occurred, where Brazil was one of the most affected countries.

President Dilma Rousseff's exports gradually increased in the first year, up to the third year. In the second term, which was interrupted due to the impeachment, the sector falls were minor than the 2008 crisis, but in considerable magnitudes.

5. Discussions

When analyzing the findings, there are three results to discuss. The first is related to the federal government's decisions, and our results show an impact on the internationalization of the footwear sector. In different magnitudes, the opening of the market, the implantation of the Real Plan, the anti-dumping, the exemption of the payroll, and the Labor Reform were decisions of the federal level reflected in the sector. The second result refers to the internal competition generated by the actions of state governments, which is capable of directly impacting the location of production centers and the displacement of the leading footwear exporting agents. More specifically, the preliminary decision at the state level that affected the industry was the fiscal war, which, through reduced tax rates, encouraged the migration of factories previously established in the south and southeast regions. This measure generated a reallocation of the manufacturing plants that migrated in search of tax incentives and lower-cost labor.

These two results corroborate with previous studies indicating that institutions somehow influence the footwear sector (Prochnik and Une, 2002; Souza, 2003; Costa, 2007; Queiroz, 2012; Calixto *et al*., 2013). Other studies verified policy decisions and government issues in other sectors and on other variables (An *et al*., 2016; Jens, 2017; Wang *et al.*, 2014; Albertus and Gay, 2019; Marquis and Qiao, 2020; Gama, Bandeira-De-Mello, and Spuldaro, 2018).

Third, the theoretical contribution is to understand the distinct way that specific institutional transitions and critical events are related to practices and guidelines for (or against) the internationalization of emerging countries (Cuervo-Cazzura, Gaur, and Singh, 2019). when verifying the influence that government measures (federal and state levels) had on trade opening, relocation of the industrial plant, commercial protection of the national footwear industry, and reduction of production costs.

In practical terms, the results serve as a basis for companies in the sector to expand their import and export activities and investments by understanding the relocation of manufacturing plants. Given tax incentives and opportunities for cheap labor, understand the historical context of the industry and the challenges related to the main international competitors in the production of shoes. So, managers should evaluate the political environment (in-state and country-level) before the relocation of manufacturing plants, given that tax incentives and opportunities for cheap labor can benefit the industry competition in looking at international markets.

6. Limitations and recommendations for further research

As the study's main limitations, the non-use of primary data is highlighted, which may have resulted in the omission of relevant government decisions. It is noteworthy that the events and decisions that impacted the sector were selected for their repercussion and apparent impacts on the internationalization of the footwear sector in emerging countries. Furthermore, some reports on the export amounts were not included in the last quarter of 2019, and the latest reports from Abicalçados for 2019 were not yet available. The lack of this report may lead to the analysis's imprecision related to this period, however, without reducing or changing the information available and collected until 2018.

As suggestions for future studies, it is proposed to measure the percentage of migration of footwear companies to the northeast, and measure and explain the triangulation effect of footwear imports in Brazil to clarify the constant increase in imports from Vietnam. It is also advisable for the economic and financial measurement of tax incentives granted by states and perhaps municipalities to explain in greater depth the migration of manufacturing plants in the footwear sector.

7. References

Abdala, J. P. N., & Loos, M. J. (2019). Os Impactos da Reforma Trabalhista para o Trabalhador, Empresas e Sindicatos: Uma análise da lei 13.467/2017. Journal of Perspectives in Management–JPM, 3(1), 29-40.

Albertus, M, Gay, V. (2019) No better time than now: Future uncertainty and private investment under dictatorship. Economia Política, 31: 71– 96. https://doi.org/10.1111/ecpo.12120

An, H., Chen, Y., Luo, D., & Zhang, T. (2016) Political uncertainty and corporate investment: Evidence from China. Journal of Corporate Finance, 36:174-189. https://doi.org/10.1016/j.jcorpfin.2015.11.003

Arend, M., Cario, S. A. F., & Enderle, R. (2012) Instituições, inovações e desenvolvimento econômico. Pesquisa & Debate, 23(1): 41. https://doi.org/10.5902/1414650940618

Arnold, D. J. & Quelch, J. A. (1998) New strategies in emerging markets. MIT Sloan Management Review, 40(1): 7.

Associação Brasileira Das Indústrias De Calçados (Abicalçados). (2018) Brazilian Footwear. Novo Hamburgo, Rio Grande do Sul, Brasil. Available in: < http://www.abicalcados.com.br/brazilianfootwear/> Retrieved in Apr./ 2018.

Associação Brasileira Das Indústrias De Calçados (Abicalçados). (2017) Relatório Anual de 2017. Novo Hamburgo, Rio Grande do Sul, Brasil. Available in: <http://www.abicalcados.com.br/relatoriofanual/> Retrieved in Apr./ 2018.

Associação Brasileira Das Indústrias De Calçados (Abicalçados). (2017) Relatório Setorial Indústria de Calçados 2017. Novo Hamburgo, Rio Grande do Sul, Brasil. Available in: <http://www.abicalcados.com.br/relatoriosetorial/> Retrieved in Apr./ 2018.

Bertini, E. R. & Wünsch, P. E. R. (2014). O impacto financeiro e contábil da desoneração da folha de pagamento em indústrias calçadistas do Vale do Paranhana. Revista Eletrônica do Curso de Ciências Contábeis, 3 (4): 21-50

Buckley, P J. & Casson, M. C. (1998) Analyzing foreign market entry strategies: Extending the internalization approach. Journal of International Business Studies, 29(3): 539-561. https://doi.org/10.1057/palgrave.jibs.8490006

Buckley, P J. & Casson, M. C. (1976). The future of the multinational enterprise. New York: The McMillan Company.

Calixto, C. V., Garrido, I. L., Vasconcellos, S. L., & Monticelli, J. M. (2013). Estratégias de internacionalização das empresas calçadistas: análise sob a perspectiva da indústria, capacidades organizacionais e instituições. Revista Alcance, 20(4), 513-532. https://doi.org/10.14210/alcance.v20n4.p513-532

Corrêa, A. R. (2001). O complexo coureiro-calçadista brasileiro. BNDES Setorial, n. 14, set. 2001. http://web.bndes.gov.br/bib/jspui/handle/1408/10196

Carvalho, S. S. D. (2017). Uma visão geral sobre a reforma trabalhista. Repositório do Conhecimento do IPEA. http://repositorio.ipea.gov.br/handle/11058/10299

Costa, A. B. (2007) Instituições e competitividade no arranjo calçadista do Vale do Sinos. Análise Econômica, 27(52).

Costa, L., & Figueira, A.R. (2017). Political risk and internationalization of enterprises: a literature review. Cadernos Ebape.br, 15, 63-87. https://doi.org/10.1590/1679-395156933

Cuervo-Cazurra, A., Gaur, A. & Singh, D. (2019) Pro-market institutions and global strategy: The pendulum of pro-market reforms and reversals. Journal of International Business Studies, 50(4): 598-632. https://doi.org/10.1057/s41267-019-00221-z

Dimaggio, P. J. & Powell, W. W. (1983) The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 147-160. https://doi.org/10.2307/2095101

Dulci, O. S. (2002) Guerra fiscal, desenvolvimento desigual e relações federativas no Brasil. Revista de Sociologia e Política, n. 18, 2002.

Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. Journal of International Business Studies, 11(1): 9-31. https://www.jstor.org/stable/154142

Dunning J.H. (1977) Trade, Location of Economic Activity and the MNE: A Search for an Eclectic Approach. In: Ohlin B., Hesselborn PO., Wijkman P.M. (eds) The International Allocation of Economic Activity. Palgrave Macmillan, London. https://doi.org/10.1007/978-1-349-03196-2_38

Dutra, W. R., Poerschke, R. & Alvarenga, S. M. (2018) Análise dos efeitos de medidas antidumping no setor calçadista brasileiro contra a china. Revista Estudo & Debate, 25(1) http://dx.doi.org/10.22410/issn.1983-036X.v25i1a2018.1386

Fleury, A., & Fleury, M. T. L. (2011). Brazilian multinationals: competences for internationalization. Cambridge University Press.

Francischini, A. S. N. & Azevedo, P. F. (2003) Estratégias das empresas do setor calçadista diante do novo ambiente competitivo: análise de três casos. Gestão & Produção, 10(3): 251-265. https://doi.org/10.1590/S0104-530X2003000300003

Gama, M.A.B., Bandeira-De-Mello, R. & Spuldaro, J.D. (2018) Political strategy and the growth of business groups. RAUSP, 53(1): 35-48 https://doi.org/10.1016/j.rauspm.2017.06.001

Hitt, M. A., Ahlstrom, D., Dacin, M. T., Levitas, E. & Svobodina, L. (2004). The Institutional Effects on Strategic Alliance Partner Selection in Transition Economies: China Versus Russia. Organization Science, 15: 173–85. https://doi.org/10.1287/orsc.1030.0045

Hoskisson R. E. et al. (2000) Strategy in emerging economies. Academy of Management Journal, 43 (3): 249-267. https://doi.org/10.2307/1556394

Houeland, C. (2020) Contentious and institutional politics in a petro-state: Nigeria's 2012 fuel subsidy protests. The Extractive Industries and Society, 7, 1230-1237. https://doi.org/10.1016/j.exis.2020.05.010

Hymer, S. (1960). On multinational corporations and foreign direct investment. The theory of transnational corporations. London: Routledge for the United Nations.

Howell, L. D. (2014) Evaluating Political Risk Forecasting Models: What Works? Thunderbird International Business Review, 56(4) https://doi.org/10.1002/tie.21635

Jens, C. E. (2017) Political uncertainty, and investment: Causal evidence from U.S. gubernatorial elections. Journal of Financial Economics, 124(13): 563-579. https://doi.org/10.1016/j.jfineco.2016.01.034

Jensen, N. (2008). Political Risk, Democratic Institutions, and Foreign Direct Investment. The Journal of Politics, 70(4), 1040–1052. https://doi.org/10.1017/S0022381608081048

Johanson, J. & Vahlne, J. E. (1977) The internationalization process of the firm-a model of knowledge development and increasing foreign market commitments. Journal of International Business Studies, 8, 23-32 https://doi.org/10.1057/palgrave.jibs.8490676

Johanson, J. & Wiedersheim-Paul, F. (1975) The internationalization of the firm—four swedish cases. Journal of Management Studies, 12(3): 305-323. https://doi.org/10.1111/j.1467-6486.1975.tb00514.x

Jucá, M.N. & Fishlow, A. (2021) Political uncertainty of impeachment upon corporate investment decisions. Borsa Istanbul Review, 21(2): 149-160 https://doi.org/10.1016/j.bir.2020.09.007

Khattab, A. Al; Anchor, J.; & Davies, E. (2007) Managerial Perceptions of Political Risk in International Projects. International Journal of Project Management, 25(7): 734-743 https://doi.org/10.1016/j.ijproman.2007.03.006

Kobrin, S. J. (1979) Political Risk: a Review and Reconsideration. Journal of International Business Studies, 10(1): 67-80 https://doi.org/10.1057/palgrave.jibs.8490631

Kostova, T., Roth, K. & Dacin, M. T. (2008) Institutional theory in the study of multinational corporations: A critique and new directions. Academy of Management Review, 33(4): 994-1006. https://doi.org/10.2307/20159458

Li, Y., Peng, M. W., & Macaulay, C. D. (2013). Market–political ambidexterity during institutional transitions. Strategic Organization, 11(2), 205–213. https://doi.org/10.1177/1476127012470403

Lima, J. C., Borsoi, I. C. F. & Araújo, I. M. (2011) Os novos territórios da produção e do trabalho: a indústria de calçados no Ceará. Caderno CRH, 24(62): 367-384. https://doi.org/10.1590/S0103-49792011000200009

Marquis, C. & Qiao, K. (2020) Waking from Mao's Dream: Communist Ideological Imprinting and the Internationalization of Entrepreneurial Ventures in China. Administrative Science Quarterly, 65(3): 795–830. https://doi.org/10.1177/0001839218792837

Melin, L. (1992) Internationalization as a strategy process. Strategic Management Journal, 13(S2): 99-118. https://doi.org/10.1002/smj.4250130908

Meyer, J. W. & Rowan, B. (1977) Institutionalized organizations: Formal structure as myth and ceremony. American Journal of Sociology, 83(2): 340-363. https://doi.org/10.1086/226550

Meyer, K. E., Estrin, S., Bhaumik, S. K. & Peng, M.W. (2009) Institutions, resources, and entry strategies in emerging economies. Strategic Management Journal, 30(1): 61-80. https://doi.org/10.1002/smj.720

Milagres, A. C. M. (2011) Processo de internacionalização na indústria calçadista brasileira: Estudo de caso da Calçados Azaléia S.A. 104p. Dissertação (Mestrado em Administração de Empresas), Pontifícia Universidade Católica do Rio de Janeiro, RJ.

Ministério da Indústria, Comércio Exterior e Serviços (2019) Balança comercial brasileira: Acumulado do ano. Available in: < http://www.mdic.gov.br/index. php/comercio-exterior/estatisticas-de-comercio-exterior/balanca-comercial-brasileira-acumu lado-do-ano>. Retrieved in Mai. / 2019.

Monticelli, J.M., Garrido, I.L., & Vasconcellos, S.L. (2017) Political perspectives of relationship networks to internationalization of firms in an emerging economy. Revista Eletrônica de Negócios Internacionais, 12 (2): 74-89 http://dx.doi.org/10.18568/1980-4865.12274-89

Monticelli, J. M., Calixto, C. V., Vasconcellos, S. L., & Garrido, I. L. (2017). The influence of formal institutions on the internationalization of companies in an emerging country. Review of Business Management, 19(65), 358-374. https://doi.org/10.7819/rbgn.v0i0.3040

North, D. C. (1991) Institutions. Journal of Economic Perspectives, 5(1): 97-112. https://pubs.aeaweb.org/doi/pdf/10.1257/jep.5.1.97

Oviatt, B., & McDougall, P. (1997). Challenges for Internationalization Process Theory: The Case of International New Ventures. MIR: Management International Review, 37, 85-99. http://www.jstor.org/stable/40228434

Peng, M. (2000). Controlling the Foreign Agent: How Governments Deal with Multinationals in a Transition Economy. MIR: Management International Review, 40(2), 141-165. http://www.jstor.org/stable/40835874

Peng, M. W. (1997). Firm Growth in Transitional Economies: Three Longitudinal Cases from China, 1989-96. Organization Studies, 18(3), 385–413. https://doi.org/10.1177/017084069701800303

Peng, M.W. (2002). Towards an Institution-Based View of Business Strategy. Asia Pacific Journal of Management, 19, 251–267 https://doi.org/10.1023/A:1016291702714

Peng, M., & Heath, P. (1996). The Growth of the Firm in Planned Economies in Transition: Institutions, Organizations, and Strategic Choice. The Academy of Management Review, 21(2), 492-528. https://doi.org/10.2307/258670

Peng, M., & Luo, Y. (2000). Managerial Ties and Firm Performance in a Transition Economy: The Nature of a Micro-Macro Link. The Academy of Management Journal, 43(3), 486-501 https://doi.org/10.2307/1556406

Peng, M., Wang, D. & Jiang, Y. (2008) An institution-based view of international business strategy: a focus on emerging economies. J Int Bus Stud, 39, 920–936. https://doi.org/10.1057/palgrave.jibs.8400377

Peng, M. W. (2003) Institutional Transitions and Strategic Choices. Academy of Management Review, 28: 275–86. https://doi.org/10.5465/amr.2003.9416341

Peng, M. W., Sun, S. L., Pinkham, B. and Chen, H. (2009). The Institution-Based View as a Third Leg for a Strategy Tripod. Academy of Management Perspectives, 23: 63–81. https://doi.org/10.5465/amp.2009.43479264

Prochnik, V.; Une, M. Y. (2002) A migração da cadeia produtiva de calçados para a região Nordeste do Brasil. Rio de Janeiro: IE/UFRJ.

Queiroz, T.R. (2012) As redes de negócios e as redes de cooperação no APL calçadista de Birigui (SP): Caracterização, análises e correlações. Revista Geografia, 21(1): 141-162

Scott, W. R. (1995). Institutions and organizations. London: Sage.

Souza, M. A. B. et al. (2003) Indústria calçadista de Birigüi (1958-2001): um caso de aglomeração industrial. In: Anais do V Congresso Brasileiro de História Econômica e 6ª Conferência Internacional de História de Empresas. ABPHE-Associação Brasileira de Pesquisadores em História Econômica.

Statista (2020). Outlook - Footwear, 2020. Available in: < https://www.statista.com/outlook/11000000/117/footwear> Retrieved in Fev./ 2020.

Wang, C., Hong, J., Kafouros, M., & Wright, M. (2012). Exploring the role of government involvement in outward FDI from emerging economies. Journal of International Business Studies, 43(7), 655-676. http://www.jstor.org/stable/41674514

Wang, Y.; Chen, C. R.; Huang, Y. S. (2014). Economic policy uncertainty and corporate investment: Evidence from China. Pacific-Basin Finance Journal, 26(C): 227-243

Wright, M., Filatotchev, I., Hoskisson, R. E. & Peng, M. W. (2005). Strategy Research in Emerging Economies: Challenging the Conventional Wisdom. Journal of Management Studies, 42: 1–33. https://doi.org/10.1111/j.1467-6486.2005.00487.x