

Original Article

Political and Institutional Embeddedness of FDI: a case study of Nissan in Rio, Brazil

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Abstract: Although globalization is an interdisciplinary subject, phenomena such as foreign direct investments (FDI) are thought of as belonging to the economic sphere. In this article, we draw from the global production network model and the New Economic Sociology of FDI to test the embeddedness of economic action. We've designed a least likely case study from an FDI in the auto industry, evaluating Nissan Motor Co.'s decision-making process to build an automobile factory in Brazil. Our findings support the sociopolitical embeddedness hypothesis. The paper contributes to the literature of Economic Sociology when we argue that, despite the "always embedded" assumption, Nissan's investment decision was progressively embedded in time and space.

Keywords: foreign direct investment (FDI); social embeddedness; institutions; politics; automotive industry.

Enraizamento Político e Institucional do IED: um estudo de caso da Nissan no Rio, Brasil

Resumo: Embora a globalização seja um tema interdisciplinar, fenômenos como o investimento estrangeiro direto (IED) são pensados como pertencentes à esfera econômica. Neste artigo nos amparamos no modelo de Redes Globais de Produção e na Nova Sociologia Econômica dos IEDs para testar o enraizamento da ação econômica. Para tal, desenhamos um estudo de caso *least likely* de um IED da indústria automotiva, avaliando o processo decisório da Nissan Motor Co. de construir uma fábrica no Brasil. Nossos resultados corroboram a hipótese do enraizamento sociopolítico. O artigo contribui com a literatura da Sociologia Econômica ao argumentar que, apesar da premissa "sempre enraizada", a decisão de investimento da Nissan foi enraizada progressivamente no tempo e no espaço.

Palavras-chave: investimento estrangeiro direto (IED); enraizamento social; instituições; política; indústria automotiva.

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1. Introduction¹

Although globalization is an interdisciplinary subject, phenomena such as foreign direct investment (FDI) are usually thought of as belonging to the economic sphere. This particular economic activity, for instance, remain under-theorized from a social, political, and cultural point of view, at least from a sociological perspective. This article aims to contribute to the rise and strengthening of studies on macroeconomic topics of interest within economic sociology (Anderson-Connolly, 2006). The basis of this discussion is a case study of the decision and implementation of an automotive plant of the Japanese transnational corporation (TNC) Nissan Motor Co. (Nissan) in the municipality of Resende, Rio de Janeiro state, Brazil, in 2014.

After World War II, FDIs were key tools for the emergence of TNCs (Morgan, 2017), becoming a nearly ubiquitous economic institution in the global consolidation of capitalism (Tonkiss, 2006). Moreover, FDIs are an emerging research topic in sociology (Alcacer and Ingram, 2013; Bandelj, Mahutga and Shorette, 2015; Curwin and Mahutga, 2014), allowing for the integration of economic decision-making (Beckert, 2013) with foreseeable, although uncontrollable, social dynamics.

FDIs are known as "*Investment in the businesses of another country which often takes the form of the setting up of local production facilities or the purchase of existing businesses*" (Rutherford, 2002, p. 237). They gained momentum with neoliberalism due to the asymmetric complementarity of public and private investments, the submission of the state's economic functions to a free capital mobility agenda, and the competition among continents, countries, and regions for these investments.

The economic determinants of FDI are reasonably well known (Blonigen, 2005). The emphasis on explaining FDIs as rational calculations for firm maximization, inherent in mainstream economics, has persisted since the 1930s. Contemporary textbooks echo this perspective, considering additional determinants like economic future expectations (Abel, Bernanke, and Croushore, 2008, p. 143). Modern neoclassical theories underline that entrepreneurs seek to maximize the present value of their firms by calculating an optimal capital stock (Anderson and Goldsmith, 1997, p. 548).

In examining investment decisions such as FDIs, economists typically adopt either the neoclassical or the New Institutional Economics (NIE) approaches. The former, assuming perfect markets, suggests FDIs flow to locations with higher capital return rates (Dreyhaupt, 2006, p. 22). Conversely, the latter, assuming imperfect markets, accounts for market structures and internalization costs (Dreyhaupt, 2006, p. 26-30). NIE underscores institutional factors like openness, transparency, and political stability as pivotal in FDI decisions (Dreyhaupt, 2006, p. 75).

But what are the social and political determinants of these investments? How precisely do they shape companies' decisions, such as choosing a location to build a factory? And how does the passage of time influence these decisions? This study analyzes the process of social embeddedness (Bandelj, 2002) of Nissan's FDI, with a focus on its institutional and political carriers and, to a lesser extent, network and cultural ones (Bandelj, 2003). It delves into the spatial and dynamic aspects of investment, matching origin with destination, allowing economic planning and decision-makers to meet with national and local institutions and political actors. Accordingly, the paper explains how Resende became Nissan's final choice, "*given the possibilities of the company deciding on many other cities and even other countries*" (Walmrath, 2021, p. 5)².

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² All the quotations in Portuguese were translated by the authors.

In addition to this introduction, the article presents a theoretical section that offers an integrated approach comprising two frameworks. The purpose is to advance a sociological understanding of the relationship between global phenomena, such as FDI and TNCs, and subnational socio-political dynamics to attract and induce private investment. Then, we provide a methodology section that describes the case study and methods adopted. Next, the paper examines the case of Nissan's FDI, focusing on the cultural, network, and mostly institutional and political dynamics that shaped the investment. The discussion section presents a novel interpretation of the social embeddedness of Nissan's FDI as a dynamic and spatial process, highlighting key research findings. Finally, the conclusion summarizes the main points of the article.

2. Sociology and Political Economy of FDIs

One of the most important components of capitalism, depending on and shaping multiple aspects of it, investment is admittedly a fundamental element of economic life. Sociologically, it is possible, and even necessary, to distinguish between the dimensions of action and structure that set investment up, on the one hand regarding expectations (Beckert, 2013) and decision-making, and on the other hand, focusing on the conditions of its realization and aggregation patterns.

In the first dimension, the nature of information in markets and human cognition shape actors' rationality, problematizing the notion of an efficient investment decision. In the second realm, the interaction between investments and other economic and non-economic phenomena, such as political stability in real markets, highlights the unintended consequences of action (Mica, 2017).

Therefore, understanding the phenomenon in both dimensions poses some practical problems this case study aims to address. Moreover, this economic institution, which became decisive with the emergence of monopoly capitalism (Baran and Sweezy, 1966) and multinational corporations (Morgan, 2017), also raises significant theoretical issues.

Thus, this section presents two theoretical frameworks dedicated, to varying degrees, to grasping economic globalization as the spatial break-up of production and the unbalanced territorial incorporation of economic and non-economic actors. By integrating approaches from the global production network (GPN) and the new economic sociology (NES) of FDIs, we expect to offer improved conditions for an empirical approach to investments.

First, interdisciplinary studies on transnational production systems have empirically observed the relationship between investment decisions and their impact on economic development. The GPN approach (Coe and Yeung, 2015; Henderson et al., 2002), for example, focuses on the TNC (Liu and Dicken, 2006) as the key actor in decision-making, network coordination, and promotion of economic globalization.

Indeed, the TNC becomes the archetype of the contemporary capitalist investor by integrating dispersed flows of capital, technology, and labor, and by promoting economic transformations on multiple geographical scales. Therefore, TNCs can influence territorialized social dynamics (Henderson et al., 2002) through investment decisions, by trying to manage their realization strategically (Heidenreich, 2012).

However, closely related to investment, the creation, enhancement, and value capture processes that guide corporate action link TNCs at varying levels to non-economic actors capable of exercising "*collective power*" (Henderson et al., 2002, p. 451). Namely, labor relations and workers are constitutive of both GPNs and varieties of capitalism (Ramalho and Santos, 2018), as well as social and political organizations, especially the state (Horner, 2017). Therefore, the GPN framework aims to cope with multidimensionality (Milanez and Santos, 2020) and political contestation (Levy, 2008) to which corporate action is subjected.

Finally, “*firm-centred production networks are deeply influenced by the concrete socio-political contexts within which they are embedded*” (Henderson et al., 2002, p. 446). Therefore, the investment decisions, the TNCs that realize them, and their resulting GPNs are all socially constructed, making research on the institutional, interactive (Henderson et al., 2002), and territorial (Hess, 2004) forms of constitution mandatory.

Accordingly, the sociological conditions necessary for investment to be implemented comprise the origins or institutional embeddedness of the decision-maker, market structures, parent-subsidiary, and supply relationships (network embeddedness). However, they also consist of the territorial anchor points and their socioeconomic structures (territorial embeddedness). Nevertheless, it is not within our knowledge that this insight from the literature, framed as territorial embeddedness, has been applied in empirical studies such as ours.

Second, Bandelj (2002, 2003, 2009, 2010) has framed investment as a sociological object. This author innovates by focusing on the social determinants of investment and formulating a “*relational approach*” to FDIs (Bandelj, 2009, p. 130) that match the dimensions of investment decision and realization as being mutually constitutive. To overcome the “*incomplete representations of the social structuring of markets*” (Fligstein and Dauter 2007, p. 107), the author integrates different NES streams, thus identifying the cultural, political, institutional, and interaction factors (Bandelj, 2002) that characterize the embeddedness of investment while acknowledging the variety of their analytical scales.

By highlighting the interaction and exchange of material and intangible resources between investors and host countries, the author adopts a “neostructural” sociological viewing of the network as a major unit of analysis (Granovetter, 1985). Thus, it is crucial to analyze the relational attributes (Scott, 2000) that comprise organizational and personal networks between such actors (Bandelj, 2009), which shape investment flows.

Nevertheless, these networks are politically constructed (Fligstein, 1996). Regarding the immediate problem, FDIs depend on power relations and are embedded in international economic arrangements, then expressing political connections and alliances between nation-states (Block and Evans, 2005) and not merely between firms and individuals.

While interaction matters, practices, norms, and rules combined in “*institutions provide the foundations and supporting structures for economic life*” (Duina, 2011, p. 6), also shaping investment flows. The role of institutions in the routinization, and especially legitimization of international economic transactions, through trade treaties, common markets, etc. (Duina, 2006), is sufficiently recognized to support the argument.

Finally, “*cultural embeddedness*” (Bandelj, 2003) has been linked to issues of economic rationality, market, and organizational preferences, among others (DiMaggio, 1997). This concept indicates that shared understandings about economic actors and objects may be equally relevant to appreciating capital flows. This is because they involve all culturally situated phenomena, such as changes in ownership and control, macroeconomic effects related to innovation and development, and labor relations.

In summary, diverse patterns of social relations – interactive, political, institutional, and cultural – regulate and build economic action (Bandelj, 2002, p. 433). Therefore, social relations are inseparable from the specific forms assumed by FDIs and their socioeconomic outcomes. There is no doubt that paying attention to these social, cultural, and political dimensions of FDIs represents a significant advancement in the analysis of these phenomena.

Nevertheless, it is noteworthy that the temporality of FDIs is seldom discussed, often relegated to debates within organizational matters (e.g., Jones and Lichtenstein, 2008; Hardy and Hollinshead, 2016), and not precisely how we think of it in this paper.

In any case, by combining the theoretical and methodological contributions of GPNs and the sociological analysis of FDIs, variegated actors, the contexts they inhabit, and the multiscale dynamics that encompass them (Santos, 2011) acquire prominence. Accordingly, to understand the role of investment in shaping a “*politically and culturally*

constructed" (Bandelj, 2009, p. 143) global economy, it is important to identify who, but crucially *when*, and *where* concrete investments are realized, focusing on the asymmetric relations between investors and beneficiaries.

However, in addition to the temporal and spatial character of the embeddedness, the link between local and regional development policies and the corporate strategies of transnational firms has remained unexplored in this sociological literature. As TNCs embraced the fragmented integration of their activities in the form of economic networks (Coe and Yeung, 2015), their control would prove decisive for territorially-based development.

In Brazil, the establishment of influential developmental alliances on a local scale (Ramalho, 2005) and their focus on territorialized attractiveness have influenced socioeconomic processes and their outcomes (Rodrigues and Ramalho, 2007), thus manifesting itself in a "*fiscal war*" (Rodríguez-Pose and Arbix, 2001) for FDIs between state governments and municipalities.

Moreover, this approach, which takes seriously the connection between territories and companies, allows for an empirical analysis of the socio-political conditions that explain the location of FDIs, particularly related to projects of local domination (Lima, 2005) and regional attractiveness (Santos, 2006). These conditions were even capable of establishing a "*new industrial configuration*" centered on the automotive industry in the state of Rio de Janeiro (Ramalho, 2005).

Accordingly, the arrival of Volkswagen and Stellantis groups in the region of Resende between the late 1990s and the early 2000s (Abreu et al., 2000; Ramalho and Santana, 2006) reinforced the understanding of subnational scales and actors in directing FDI flows with varied origins and structures. Subsequently, Hyundai Heavy Industries (in 2013), Nissan (in 2014), and Jaguar Land Rover (in 2016) were established in the region, giving rise to one of the most diversified automotive clusters in the country (Santos, 2021).

In summary, owing to their complementary characteristics, integrating these distinct theoretical frameworks allows for the description and analysis of an in-depth case of automotive FDI in the following sections. As stated, the basic assumption of this analysis follows the NES, indicating that all economic actions, including those related to investments by TNCs, are always embedded (Block and Evans, 2005; Granovetter, 1985). However, upon concluding the case presentation and discussing the findings, we will underscore that, notwithstanding their inherently embedded nature, FDIs progressively become embedded over time and within specific geographical contexts.

3. Methodology

To achieve the goals described in the introduction, we adopted a qualitative research design, a process of reasoning inductive by nature. The reason is to offer a different view of FDI since a large body of literature follows a quantitative/econometric approach. Exceptions such as the article by Bandelj (2003) and the book by Jensen (2006) inspired us to adopt this stance, privileging insights focused on the process and not only on the causes/outcomes that drive FDI. In doing so we opted for a case study that could provide detailed descriptions of how FDI actually works.

Standard, single case studies can be thought of as having "*the purpose of understanding a larger class of similar units (a population of cases)*" (Gerring, 2006, p. 211). However, they usually involve observations that somehow escape the average, cases that draw attention precisely because of their uniqueness. For example, one can set up case studies focusing on outliers. Instead, here we have opted for a crucial case, i.e., one that "*offers particularly compelling evidence for, or against, a proposition*" (Gerring, 2006, p. 213). In other words, this setup is related to "[c]ases (one or more) [that] are most- or least-likely to exhibit a given outcome" (Gerring, 2006, p. 89), a "stress analysis" of the theoretical framework

we rely on. Therefore, this intentional research design also helps achieve some degree of external validity and reliability to the unique nature of case studies while building on their strengths (e.g., understanding internal mechanisms).

The sample selection adopted two levels of purposeful sampling, a method which is *"based on the assumption that the investigator wants to discover, understand, and gain insight and therefore must select a sample from which the most can be learned"* (Merriam and Tisdell, 2015, p. 96).

First, we discuss the criteria for selecting the case. Here we opted for a representative industry in terms of globalized economic transactions. The automotive industry offers a valuable window into the study of FDI. It is a century-old economic field made of TNCs familiar with globalization issues. Thus, this sector fits the case study design criteria for a least likely case study (from a sociological point of view). Furthermore, as we will show in the following sections, Nissan had decided to invest in a region where two other automakers had already established themselves in the previous decades (i.e., the company did not choose to invest in a greenfield area).

In other words, this research design can be interpreted as most likely³ if one is aligned *with the standard economic interpretation of FDIs*. After all, it concerns a company that had, at the time of the investment decision, decades of experience and routinization of this procedure. However, the study could also be, *a priori*, considered least likely *within the theoretical framework adopted by us* (GPNs and NES). This is, indeed, the stance we will adopt: that the Nissan case is, for all intents and purposes, least likely from a sociological standpoint, a major reason for its selection and curiosity.

The second criterion refers to the selection of the datum. It consists of primary sources, *"those in which the originator of the document is recounting firsthand experience with the phenomenon of interest"* (Merriam and Tisdell, 2015, p. 178), such as interviews; but also of secondary sources, *"reports of a phenomenon of interest by those who have not directly experienced the phenomenon"* (Merriam and Tisdell, 2015, p. 178), such as documents, reports, and newspaper articles (see Table 1).

Table 1. Research Dataset

Type of item	Sources
Interviews	• Described in Table 2
News and magazines articles (webpages included), blog entries	<ul style="list-style-type: none"> · Firjan (Federation of Industries of the State of Rio de Janeiro) · Government (federal, state and city) · Media coverage
Documents, reports, and bulletins (including annual reports, general reports, corporate plans, web page news, press releases, and infographics)	<ul style="list-style-type: none"> · Anfavea (Brazilian National Association of Motor Vehicle Manufacturers) · Codin (Industrial Development Company of the State of Rio de Janeiro) · FDI Intelligence · Firjan · Government (federal, state and city) · Nissan · Sindmetal-SF (Metalworkers Union of the South Fluminense)

Source: authors' own elaboration (2023).

³ The Nissan case, framed here as least likely, could be compared with other cases of automotive FDIs that align most likely with the theoretical framework adopted by us. An example is Volkswagen, which pioneered vehicle manufacturing in Resende back in 1996. Lima (2005) provides an extensive study of the highly evident sociopolitical relationships that informed this case. The Nissan case, on the other hand, initially showed no indications in the early stages of our research that it could be explained in a similar manner given that, once Volkswagen and later Stellantis were established, we would be facing a typical case of agglomeration economies (Glaeser, 2010) and their almost self-evident economic benefits for future automakers to set up in the region.

Table 1. Continued...

Type of item	Sources
Interviews	• Described in Table 2
Statistics (spreadsheets and databases)	<ul style="list-style-type: none"> · Anfavea · Oica (International Organization of Motor Vehicle Manufacturers) · UNCTAD's World Investment Reports (WIR)
Maps and pictures	<ul style="list-style-type: none"> · Anfavea · Instituto Brasileiro de Geografia e Estatística (IBGE) · Nissan · OICA · Porto do Açu · The World Bank · UNCTAD's WIR
Legislation	<ul style="list-style-type: none"> · The Brazilian federal government, the government of the state of Rio de Janeiro, and the municipal governments of the South Fluminense region. · The Brazilian federal gov. official YouTube channel
Videos	<ul style="list-style-type: none"> · Mecânica Online YouTube channel · Nissan's YouTube channel

Source: authors' own elaboration (2023).

Since we were dealing with an investment decision announced in 2011, it wasn't feasible to interview all the actors involved. We have tried to reach the firm's representatives without success. Hence, we have selected actors who had direct involvement or knew additional information related to the case. These include state representatives and unionists that took part in the negotiations (see Table 2). We also rely on interviews and insights provided by the former Nissan Chief Executive Officer (CEO) Carlos Ghosn, and also experts in the automotive sector who covered the case for the press back in the day. Documents, reports, statistics, and legislation related to the case compose the bulk of the research. These concern Nissan's info, the Brazilian auto industry data, and all the crucial legislation related to the case.

Table 2. Interviews Conducted

Interviewee	Affiliation	Occupation	Interviewer	Where and when
Jaime Muniz and José Carlos Tavares Matias	Resende City Hall, Rio de Janeiro, Brazil	Muniz - at the time Secretary of Industry, Technology and Services of Resende	José Ricardo Ramalho, Raphael Jonathas da Costa Lima, and Rodrigo Salles Pereira dos Santos	Resende, Rio de Janeiro, Brazil, Jun. 9 th 2016 (Muniz and Matias, 2016)
		Matias - Muniz's secretary/ personal assistant		
Eduardo Laguna	Valor Econômico (Brazilian newspaper)	Journalist/ specialist in the auto industry	Lucas Lemos Walmrath	Via email, between Mar. 3 rd and 23 rd (Laguna, 2020)
Renato Soares	Sindmetal-SF	Sindmetal-SF's former president (2006-2014)	Lucas Lemos Walmrath	Via telephone, Jun. 6 th (Soares, 2020)
Marli Olmos	Valor Econômico	Journalist/ specialist in the auto industry	Lucas Lemos Walmrath	Via Skype, Jul. 3 rd (Olmos, 2020)
Francisco Goes	Valor Econômico	Journalist/ specialist in entrepreneurial affairs	Lucas Lemos Walmrath	Via telephone, Aug. 7 th (Goes, 2020)

Source: authors' own elaboration (2023).

Table 2. Continued...

Interviewee	Affiliation	Occupation	Interviewer	Where and when
Maria Conceição Gomes Ribeiro	Codin	Codin's former president (2010-2019)	Lucas Lemos Walmrath and Raphael Jonathas da Costa Lima	Via Google Meets, Dec. 15 th (Ribeiro, 2020)
Alexandre Reis	Firjan	Executive director (2000-present)	Lucas Lemos Walmrath	Via Zoom, Jun. 15 th (Reis, 2021)

Source: authors' own elaboration (2023).

Data collection took place between early 2020 and June 2021. The interviews are semi-structured and contain additional information regarding interviewees' demographic data. We have used snowball/chain sampling, "*a strategy [that] involves locating a few key participants who easily meet the criteria [...] [we] have established for participation in the study*" (Merriam and Tisdell, 2015, p. 98) to obtain qualified informants about the case; and then asking them about other possible informants that would further elaborate issues and questions that emerged during the research. An exception is an interview conducted by one of the authors back in 2016.

The collection of secondary sources, mainly documents and newspaper articles, ran in parallel. The documentary research turned to the reconstitution of the case, especially, though not only from the specialized news in the automotive sector and in the business affairs; it also includes various documents from the point of view of the firm and other socio-political actors. Finally, field observations were scheduled but then canceled due to the ongoing Covid-19 pandemic. Some were made in early March 2020 when unscripted pilot interviews took place in the local union. In May 2023, both authors visited the Nissan factory on a guided tour led by the company's engineers (Santos, Aucar and Walmrath, 2023).

Our data analysis assumes an inductive and theory-driven stance. Following Merriam and Tisdell's perspective, the analysis was "[...] *conducted along with (not after) data collection*" (2015, p. 297). Themes, patterns, and categories emerged from the first round of coding. After that, these were further analyzed from the theoretical framework adopted. More specifically, during the second round of coding, the relevant excerpts were recoded as they were identified to represent a particular form of embeddedness, as discussed in the previous section.

The coding phase resulted in five reports: four of which were from secondary sources and one from primary sources (the semi-structured interviews). In common, all of them were organized and coded in chronological order, highlighting excerpts from documents and interviews that 1) stressed the rationale behind Nissan's investment decision; 2) helped trace the role of sociopolitical actors in the case; and 3) corroborated the case interpretation in line with the concept of embeddedness. In the end, this organization of the analysis also allowed for the delineation of the temporal and spatial dimensions involved in retracing the Nissan case in Resende.

4. The Nissan FDI

Japanese corporations are cautious economic actors regarding internationalization. Established in Yokohama (Japan) in 1933, Nissan Motor Co. exemplifies this description. Prior to engaging in FDI, Nissan began to internationalize gradually in developed markets, following the example of other Japanese competitors. The company opted mainly to export, also integrating importing agents and its own import units, joint ventures, and other risk-sharing organizational forms.

The company's journey in Brazil began with the occasional imports of a few vehicles in the 1950s (Kumon, 2003), in addition to the scant assembly of Nissan jeeps (Vogel, 2021). In the 2000s, a new expansion of American operations began, converging with a new focus on developing markets in South America. Nissan's presence in the country grew in the 1990s through private importers (Vogel, 2021), until the company had taken control of imports and officially established itself in 2000 (Nissan Motor Co Ltd, 2021). The same year, it announced a long-term strategy to the Southern Common Market (MERCOSUR), supported by Renault, with whom it had established a path-breaking corporate alliance in 1999 (Walrath, 2021, pp. 82-83). An overview of Nissan's global strategy between 2000 and 2016 is presented in Table 3.

In the 2000s, the company began producing pickups and SUVs at the Renault assembly plant in São José dos Pinhais, in the state of Paraná. An investment decision was made to build a new plant, although imports were an important part of the company's growth in the domestic market in the first decade of this century.

Table 3. Nissan Corporate Plans (2000 and 2016)

<i>Plan</i>	<i>Year</i>	<i>Schedule</i>	<i>Main objectives</i>
Nissan Revival Plan (NRP)	2000	3 years (until 2002)	Nissan's restructuring; economic recovery: cost and investment cutting; to become a global automaker
Nissan 180	2002	4 years (until 2005)	NRP follow-up; one million additional units sold worldwide; operating margin of 8%; net debt at zero
Nissan Value-Up	2005	4 years (until 2008)	Expand sales and global market share; focus on developing countries; new investments programmed
Shift_MERCOSUR (regional plan)	2006	4 years (until 2009)	Model launches and investments for local production, sales, and after-sales
Nissan GT 2012	2008	5 years (until 2012)	Continued restructuring and investments; launch of new products; greater insertion into emerging countries (rise in sales in Brazil by 2012)
Nissan Power 88	2011	6 years (until 2016)	Readjustment to earlier plans; presence in all global and regional market niches; be the Japanese/Asian market leader; <i>explicit intention to build a plant in Brazil</i>

Source: authors' own elaboration based on Nissan's corporate plans (Nissan Motor Co Ltd, 1999, 2001, 2002, 2005, 2008, 2011a, 2011b).

The decision to invest in Brazil dates back at least to 2005, when Nissan's CEO Carlos Ghosn publicly acknowledged the scenario of sector stagnation in developed countries and recommended the necessary transition of the industry into emerging markets, including Brazil (Olmos, 2005). Nonetheless, Nissan's strategy remained focused on importing vehicles produced in Mexico, based on the "*favorable exchange rate and tax advantages of the trade agreement between Brazil and Mexico*" (Olmos, 2006b, p. A4)⁴.

⁴ Economic Complementarity Agreement (ACE) No. 55 signed between the MERCOSUR countries and Mexico, in force since 2003 (Brasil, 2002).

If the spatial macro dimension (emerging markets) of the decision was clear before it became effective, meso and microspatial dynamics proved to be extremely important. Even its establishment in the largest South American market (Brazil) was not obvious, particularly after a new automotive agreement in MERCOSUR (Olmos, 2006a) left Nissan conflicted between the country and Argentina, where its partner, Renault, had a strong presence.

In 2007, Thomas Besson, the President of the Brazilian subsidiary (2006–2010), offered an insight into a potential Nissan plant in Brazil, thereby differentiating the corporation from most of its competitors with a market focus on transforming “[t]he country into an export platform” (Capela, 2007, p. B8). An alternative would be to expand Nissan’s production at Renault’s plant in the state of Paraná.

The sector results in Brazil were positive, moving away from the economic stagnation of the 2008 financial crisis. The production and licensing of domestic and imported automobiles showed an upward trend, followed by companies’ investments in response to the increase in demand (Walmrath, 2021). Thus, in 2010, news on a new plant brought details concerning the production of electric vehicles and, more importantly, about the affiliations between the TNC executives and high-ranking entrepreneurs and politicians in Brazil.

Conversations on establishing a Nissan plant in the north of the state of Rio de Janeiro extended between 2010 and 2011 (Bonin, 2010; Hessel, 2011) and reunited Nissan representatives and Eike Batista, CEO of EBX Group, and at the time, one of the richest men in the world (Forbes, 2015). These talks would directly involve the governor of Rio de Janeiro, Sérgio Cabral Filho, who had been introduced to company executives as a friend of Batista (Curcio, 2011). An influential factor in selecting Rio de Janeiro would be identified by Ghosn, who showed resentment for the “*treatment received from the former governor [of Paraná] Roberto Requião [...] during his eight years in office, who never received him personally*” (Pitthan, 2011).

At the subnational scale, before reaching the *Secretaria Estadual de Desenvolvimento Econômico* (State Secretariat of Economic Development) and the *Companhia de Desenvolvimento Industrial do Estado do Rio de Janeiro* (Rio de Janeiro State Company for Industrial Development, Codin), Nissan was guided by consulting firms (Ribeiro 2020). In an interview, Codin’s former president, Maria da Conceição Ribeiro, told us the demands presented by the Japanese TNC to the state government, which covered the “*proximity to São Paulo, proximity to the port [...], flat terrain and electric power*”. Ribeiro stated that Codin “*tried to create this combination and find the perfect place for them [...]*” (Ribeiro, 2020).

The preferred municipality of São João da Barra in the north of the state of Rio de Janeiro, where the Açu Port is located, centralized the EBX Group’s operations and presented its recognized potential as a logistics-industrial hub (Quintslr, 2014), standing out due to “[...] the fact that Eike Batista was willing to partner with Nissan in the plant installation” (Goes et al., 2011). In an interview, renowned journalist Francisco Goes (2020), who covered the development of the Açu Port, told us that the disappointing outcome of the Batista-Nissan negotiations was expected and was not restricted to the infrastructure demands of the automotive industry:

[...] for many companies that Eike [Batista] announced [Açu Port], I imagine that the cost-benefit would not make sense, because, for example, [...] they had to make an access... to the Port. [...] They had to build a road. There was no railroad. They had to lay transmission lines. So, why would an automaker be installed in the Açu [Port] [...], if you have an industrial hub in the south of Rio de Janeiro, in Resende, Itatiaia [...], Porto Real? (Goes, 2020).

In June 2011, the TNC officially confirmed the construction of its own plant in Brazil without specifying its destination (Automotive Business, 2011). Meanwhile, new competitors

emerged from the Volta Redonda-Barra Mansa region⁵, as Codin presented “*fifteen municipalities to Nissan,*” keeping an open dispute and making the choice of location “*a madness*” (Ribeiro, 2020).

With Nissan’s entry strategy being increasingly associated with the domestic market, the relative attractiveness of Rio de Janeiro’s northern and southern regions was redefined. Thus, the combination of skilled labor, geographic centrality of the market, and infrastructure, focusing on accessible roads offered by the continuous efforts of developmental alliances (Ramalho, 2005), paved the way for the automotive hub.

Nissan got a “*warm*” reception from the *Prefeitura Municipal de Resende* (Municipal Government of Resende, PMR) when the State Secretariat of Economic Development and Codin contacted it in 2010; the PMR began the initial surveys on the potential location, requesting a plot of land with an area equivalent to 3.2 million m² (Muniz and Matias, 2016)⁶. The engagement of municipal authorities was key, as warned by Codin’s former president, for whom “[...] *land without public policy is useless*” (Ribeiro, 2020).

The state government of Rio de Janeiro would acquire a plot of land worth R\$ 100 million from the Renato Monteiro Group, a major player in the process of implementation of Volkswagen and Stellantis groups in the region (Lima, 2005). Afterward, the land was transferred to the automaker with no charges (Ennes, 2011). Ribeiro (2020), who had worked closely with State Development Secretary of Rio de Janeiro Júlio Bueno, claimed that Bueno had been guided by his cousin, “[*who was*] *linked to the Ministry of Industry and Trade*”, to donate the land as a strategy to attract automobile TNCs, which typically face high costs and run on low profit margins.

The supply of public goods and services, such as energy, water, sewage, and fiber-optic communication, would fall under the purview of the state executive branch (Prefeitura de Resende, 2011). More importantly, significant incentives related to the *Imposto sobre Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação* (Tax on circulation of goods and services, ICMS) depended on close ties between the state and municipal actors, such as the agreement on the municipal government to return the funds collected from Nissan’s operations to the state (Muniz and Matias, 2016).

While some municipalities in Paraná appeared as potential competitors due to the efforts of the state government (Kutney, 2011a), the choice of Resende was set (Rosa, 2011). The increase in the tax on industrialized products (IPI) and Nissan’s dependence on its ACE 55 (Brasil, 2002) import quota would be detrimental to the automaker in the medium term and, therefore, affected its decision and the process of establishing the factory.

Nevertheless, the final defeat of the states of São Paulo and Paraná was the result of a new round of negotiations, in which the state government of Rio de Janeiro offered incentives to Nissan that “*no other state could grant at the time*” (Kutney, 2011b). The incentives were anticipated without precedent and involved “*not only the granting of deferral in the collection of ICMS for a few years, but the transformation of this debt into receivable bonds, which in the future would be purchased by Nissan itself, at a great discount*” (Kutney, 2011b). Thus, the automaker would receive non-tax or financial incentives, while paying “*only 25% of the ICMS [tax] due to the state*” (Ennes, 2011).

In October 2011, Resende was made the official location of the unit, in which R\$ 2.6 billion would be invested to produce 200,000 vehicles annually. With its inauguration scheduled

⁵ The Intermediate Geographic Region of Volta Redonda-Barra Mansa is composed of seventeen municipalities and covers the IGR of Resende.

⁶ The PMR approach also covered municipal tax incentives, such as exemption from real estate transfer taxes, levied on the acquisition of the land, and *Imposto Predial e Territorial Urbano* (Property and Urban Territory Tax, IPTU) for eight years.

for 2014, the new plant would employ 2,000 direct workers and generate 2,000 indirect jobs. In both announcements, in the capital city of Brasília and Rio de Janeiro, federal, state, and municipal authorities were ostensibly present, clarifying the political matrix that guided the investment decision, which was aligned with the network strategy of the Renault-Nissan-Mitsubishi Alliance.

Following the announcements, the first measures to be implemented involved the legal proceedings of the incentives offered. The amount and type of incentives had changed the interstate "*pattern of competition*" (Ennes, 2011), which came to be driven by the government-led developmental alliance of Rio de Janeiro.

The *Assembleia Legislativa do Rio de Janeiro* (Legislative Assembly of Rio de Janeiro, Alerj) included Nissan in the *Programa de Atração de Investimentos Estruturantes* (Program for Attracting Structural Investment, RioInvest), thus allowing the automaker to access credit worth R\$ 5.9 billion from the *Fundo de Desenvolvimento Econômico e Social* (Economic and Social Development Fund, Fundes) (Alerj, 2011b). The active participation of governor Sérgio Cabral Filho and the government's leader at Alerj, state representative André Corrêa (PMDB), to vote for the provision urgently has unveiled the strength of the developmental alliance, which converted law (Alerj, 2011a) into an instrument of investment legitimization (Ribeiro, 2020).

The effort of political actors to justify these incentives, more importantly, gave new meaning to the role of investments, as indicated by André Corrêa: "*The factory will not stop paying tax on the sale of the car, but only in certain operations. We are just not collecting tax on investment*" (Porto, 2011).

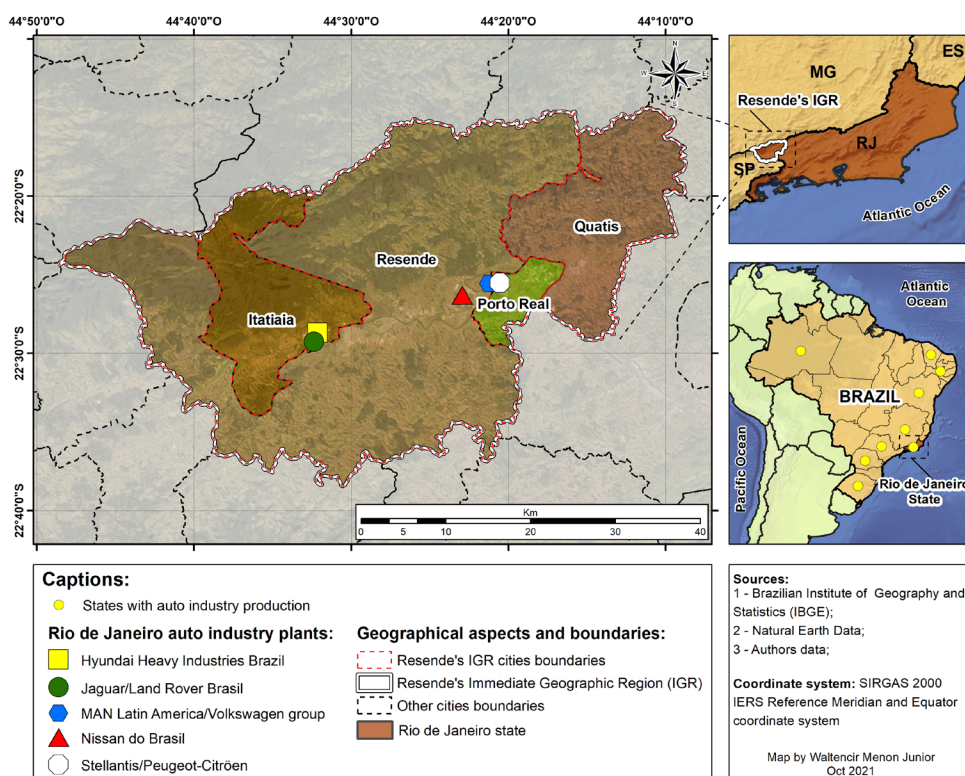
In early 2012, the federal government released a list of 18 automakers qualified for the *Programa de Incentivo à Inovação Tecnológica e Adensamento da Cadeia Produtiva de Veículos Automotores* (Incentive Program for Technological Innovation and Densification of the Automotive Vehicle Production Chain, Inovar-Auto) (Brasil, 2012) and, therefore, exempted from the IPI increase (Laguna, 2012a). Owing to the preference related to the trade agreement signed with MERCOSUR, and as a member of this group, Nissan benefited from the measure's strong impact on its competitors' dependence on vehicle imports from Asia, Europe, and the US (Laguna, 2012b).

The trade agreement between MERCOSUR and Mexico (Brasil, 2002) required 35% nationalization of parts and components in vehicles imported from Mexico. Although its termination was speculated (Serodio, 2012), this clause created uncertainties for Nissan. Therefore, Nissan's FDI in Brazil gained emergency status so that the automaker could speed up plant construction.

As mentioned earlier, changes in the ACE 55 (Brasil, 2002) were accompanied by a new automotive regime. Inovar-Auto (Brasil, 2012) was the centerpiece of an institutional change aimed at protecting the market share of established companies (Lima and dos Santos, 2021) and focused on achieving domestic production targets for parts and components in new FDIs. Thus, Nissan discussed the new regime with the federal government on the eve of its announcement (Martins and Saraiva, 2012), as it sought to review the MERCOSUR-Mexico agreement aiming to increase its duty-free import quotas (Leo and Olmos, 2012).

Nissan became the first automaker in Brazil to adapt to the new regime (Alerigi, 2012). Thus, it obtained a new import quota, reaching an amount – 80,000 vehicles exempted from the IPI increase, in addition to the 35,000 units related to the bilateral agreement – curiously close to the total sales it had been recording over the past two years. Prior to the unit's inauguration, Nissan also announced a new stage of investment, a plant for 1.6-liter engines (Kutney, 2014), which had become imperative because of Inovar-Auto's requirements. In April 2014, after 10 years of speculation and two and a half years after the decision and the announcement of the investment location, Nissan's first automotive plant in Brazil was inaugurated (see Figure 1) (Riato, 2014).

Figure 1. Automotive clusters in Brazil, and automotive factories in the immediate geographic region of Resende, Rio de Janeiro, 2021



Sources: map by Waltencir Menon Junior (2021), using data from the *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics, IBGE) (2023) and Natural Earth Data (2023).

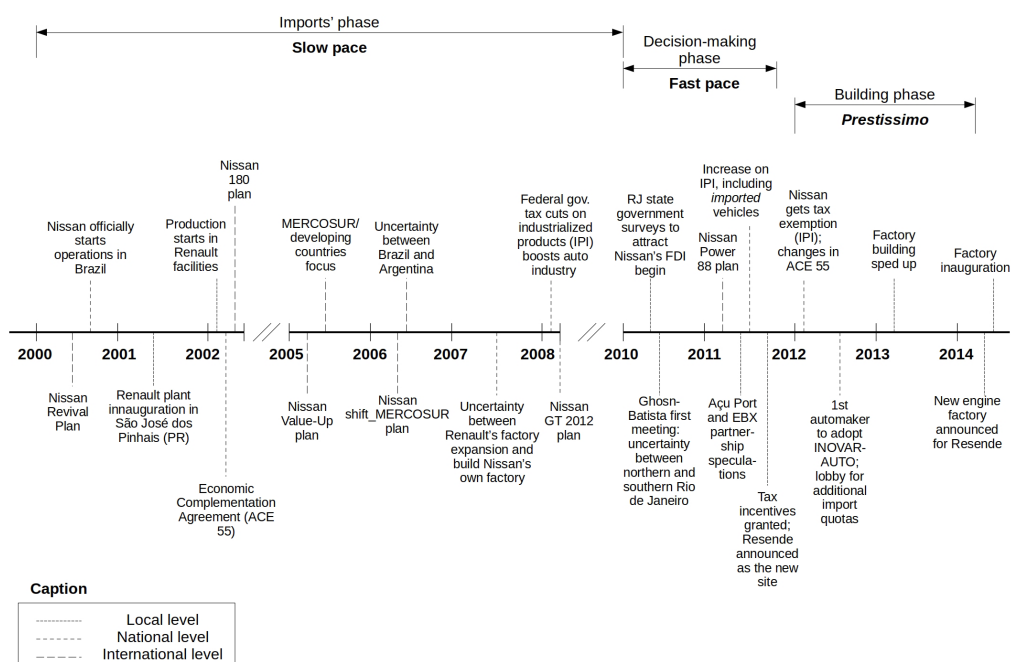
5. Discussion

The case study describes a path of social construction of an economic phenomenon, investment, whose importance is paramount. FDI is considered a key expression of investment in contemporaneity, and its spatial and dynamic dimensions are highlighted to demonstrate the always embedded character of the phenomenon itself – its institutional and political structuring (Monteiro and Lima, 2021).

The focus on the investment's trajectory allows us to characterize it as a social process composed of mutually constitutive actions and institutions (Scharpf, 2018). This process takes the form of a continuum (see Figure 2) between two edges: on the one hand, a decision that is typically planned by an economic actor endowed with bounded rationality; and on the other hand, the realization of the investment, which involves a plurality of economic and non-economic actors and objects that necessarily shape it.

First, the investment as a continuum has its own temporality in the case study. As the economic journalist Marli Olmos (2020) told us, "*an investment decision of this size cannot be made in less than a year. Automakers usually close their investment programs*". The temporality of Nissan's FDI is typically long-term, extending from (at least) 2005 to 2014, the year the unit was inaugurated.

This extended temporality was institutionally expressed through the variation in import quotas of Nissan vehicles produced by its Mexican subsidiary and the IPI tax rate. In addition, the nationalization requirements for parts and components introduced by Inovar-Auto affected the interests of the TNC; they motivated its exchange of information and lobbying with Brazilian political actors.

Figure 2. Timeline of Nissan's FDI in Resende, Brazil (2000-2014)

Source: the authors (2021), based on the research datum.

On a national scale, Nissan's political action stood out for the adjustments and commitments negotiated for progressive adherence, from imports to nationalization, culminating in the announcement of the engine factory. On a subnational scale, the investment moved at its own pace due to the aforementioned institutional changes, remaining still or latent between 2005 and 2009 and advancing to a faster pace between 2010 and 2011.

Although the automaker transferred costs and risks to state and municipal actors, the institutional change between 2012 and 2013 imposed a new pace, *prestissimo*, for the plant construction. Until the inauguration of the unit in 2014, coordinating political action between the TNC and governments, instituting incentives, and overcoming "obstacles," such as environmental licensing, were crucial.

Temporality is a key factor, albeit insufficiently acknowledged, in value-related processes (Henderson et al., 2002). Between the decision and the realization of the investment, there is a dominant orientation toward "value capture" (Henderson et al., 2002, p. 449). During construction, "matters of government policy" and property rights (Henderson et al., 2002, p. 449) became dominant, particularly at the subnational scale, thus indicating an increase in "private" functions incorporated by the state—from land acquisition to tax incentives.

Consequently, Nissan mobilized resources concerning regional development policies. The Japanese automaker actively managed personal and organizational networks established around the Rio de Janeiro automotive hub, especially relationships with political actors, whose involvement proved crucial in the rapid and ambiguous aspect of the unprecedented tax conditions that characterized Nissan's FDI. Therefore, Nissan demonstrated its "capacity to influence decisions and resource allocations [...] decisively and consistently in its own interests" (Henderson et al., 2002, p. 450).

However, Nissan's corporate power was connected to the institutional power of federal, state, and municipal actors, capable of "influencing investment and other decisions" of the leading firm "and other firms into GPNs" (Henderson et al., 2002, p. 450). Thus, the combination of a federal policy for the nationalization of automotive production and resources controlled by developmental alliances, which marked the evolution of the automotive sector in Rio de Janeiro (Ramalho, 2005), conferred a solid political and institutional character to

the embeddedness of Nissan's FDI. On the national scale, institutions regulating industrial prices (e.g., IPI), import quotas, and nationalization targets were decisive, while incentives and subsidies firmly directed investment at the subnational level.

Second, the spatial dimension and, more specifically, the notion of scale (Dicken et al., 2001) qualify the investment phenomenon in another sociological sense, based on the concept of social embeddedness (Bandelj, 2002; Granovetter, 1985; Henderson et al., 2002). Here, Nissan's FDI continuum gives rise to a double-entry matrix, in which the temporality of economic actions and institutions acquires a new contour by incorporating varied scales of analysis and political action (Jessop, 2000).

Thus, it is only if we ignore the cultural and institutional construction of personal and organizational preferences of top executives at Nissan and the organization itself that the investment continuum may be described as beginning from economic conditions and rationality that are relatively insulated from spatial influences. A clear example of how this economic decision was socially embedded can be seen if we take a closer look at Nissan's former CEO, a Brazilian executive. Given the choice of setting up the firm's new plant near its alliance partner Renault in Paraná, Ghosn chose Rio de Janeiro, the state where his family lived, once technical and infrastructural conditions were met (Ribeiro, 2020).

Further, historically, the corporation engaged in FDI only after using imports as its strategy when entering foreign markets. Therefore, the origins (Hess, 2004) of the investment – the cultural and institutional patterns that demarcate its social embeddedness – are especially relevant regarding the destination of investments in emerging markets.

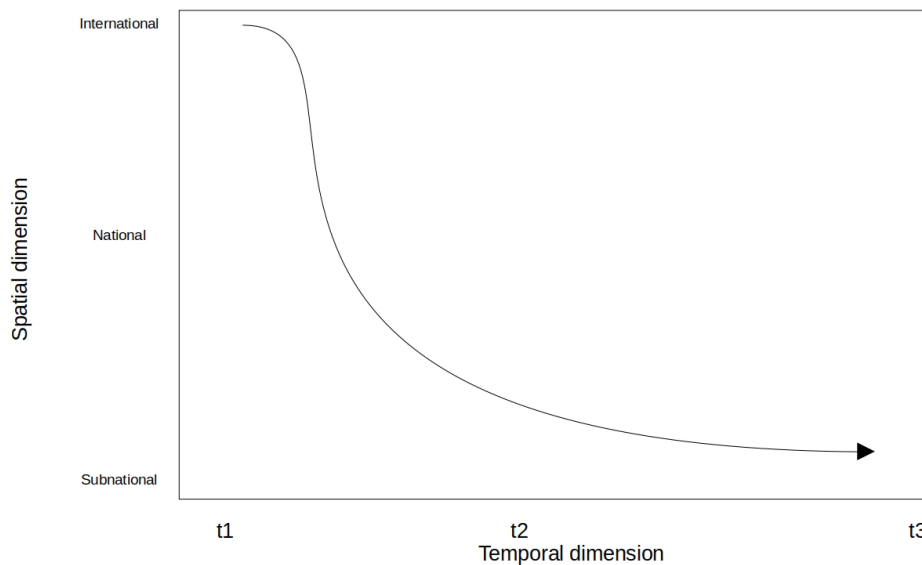
Once the national destination of the FDI was decided, institutions and policies focused on internalizing automotive investment provided the investment its specific shape. Between 2011 and 2012, the Federal Executive combined elements to emulate the pattern of "*obligatory embeddedness*" (Liu and Dicken, 2006) under conditions in which Nissan had already incurred significant fixed costs. In addition, its market strategy (Ramalho and Santos, 2015) in South America is dependent on the results of the Brazilian subsidiary.

Moreover, personal and, to a lesser degree, organizational networks (Bandelj, 2002) supported by tax and credit incentives were part of the corporation's concerns about its locational options from the beginning. Nevertheless, they only became decisive as a specific mode of strategic management of embeddedness conditions (Heidenreich, 2012) at the state and municipal levels. Thus, it captured value and overcame its medium-term dependence on imports from the Mexican subsidiary.

However, Nissan's action was only possible through the connection with a newly formed developmental alliance, which explained the ongoing regional attractiveness of Rio de Janeiro for the sector (Ramalho, 2005). Consistent with the dynamics of previous alliances (Santos 2006; Lima, 2005), politics became an axis of the social embeddedness of Nissan's investment. Thus, political actors (state and municipal governments) and personal networks (Bandelj, 2002) played key roles in mobilizing and "customizing" traditional economic institutions, such as tax and credit incentives.

Consequently, the social embeddedness of Nissan's FDI was produced through a multiscale process (Santos, 2011; Dicken et al., 2001) dependent on cultural, interactive, institutional, and political dynamics. Despite its always embedded condition (Monteiro and Lima, 2021), Nissan's FDI was progressively embedded as it moved along the continuum from decision to realization and, in parallel, from global to subnational scales. As each stage of the studied process unfolded, more social relationships were activated within networks, leading to greater institutional relations among the involved stakeholders and more political interactions aimed at coordinating the whole. Figure 3, depicted in two dimensions for practical reasons, actually embodies a third dimension—the aspect of embeddedness—which grew in significance as a consequence of this intricate arrangement.

Figure 3. Temporal and spatial continuum of the social embeddedness of Nissan's FDI in Resende



Source: authors' own elaboration (2023).

While the carriers of social embeddedness (Bandelj, 2002) combine, producing varied interscale patterns, their intensity tends to lean toward the locality. Thus, they make the conditions of economic decisions inseparable from economic and non-economic actors and institutions. In summary, the case study of Nissan's FDI is an exemplary trajectory of the social embeddedness of the investment decision-realization continuum, a continuum structured in time and space.

6. Conclusion

The main results suggest that, although the firm has a high degree of autonomy and is economically motivated in its decision, it is social factors that best explain Nissan's locational choice. These exist particularly in institutions and politics, involving the TNC, governments (federal, state, and municipal), and various economic and non-economic actors in a segment of Nissan's GPN anchored in Resende. In summary, the results point to the institutional and political embeddedness of the Japanese automaker's locational investment decisions.

From the NES perspective, it is important to highlight two elements within the investment decision-realization continuum. First, the approach allowed us to focus on the phenomenon in an integrated manner, encompassing both its micro and macro dynamics and making explicit a major weakness within the NES field. More importantly, the discussion presented an analytical innovation, merging contributions from different strands of NES and operationalizing one of its major concepts – social embeddedness – in two dimensions: temporal and spatial.

Thus, the study indicated that the firm's rationality in making investment decisions was socially constructed, even as it sought to expand its operations by selecting the best locations in terms of cost-benefit. Finally, we believe that the arguments drawn from the Nissan case study enhance the sociological approach to investment and encourage further inquiries concerning similar phenomena.

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