# CEO Ideology and Global Trade *

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**Abstract**

We study how the political ideology of corporate leaders shapes international trade. Exploiting changes in ideological alignment between U.S. firm CEOs and foreign governments around national elections, we show that firms reduce imports from countries whose governments become more ideologically distant from their CEOs, relative to firms whose CEOs become more aligned. Firms whose CEOs become more ideologically distant do not significantly reduce their total imports; instead, they reallocate toward origin countries that are ideologically closer and more expensive to source from. Textual analysis of earnings call transcripts suggests that an important mechanism behind these patterns is a change in CEOs' perceptions of foreign macroeconomic conditions.

Keywords: international trade, firm networks, political ideology, elections, political economy

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# 1 Introduction

Geopolitical tensions have been on the rise, disrupting the increasingly interconnected economic relationships between nations. A rapidly growing academic literature examines the effects of government-imposed trade barriers, such as tariffs, sanctions, and industrial policies, on international trade (e.g., Fajgelbaum and Khandelwal, 2022; Irwin, 2020; Juhász, Lane, and Rodrik, 2024). However, governments are not the only actors whose political orientation can shape trade flows. Corporate leaders make the sourcing decisions that determine where firms buy their inputs, and rising political polarization among U.S. executive teams (Fos, Kempf, and Tsoutsoura, 2025) raises the question of whether managerial ideology independently affects cross-border economic relationships. If leaders' political views shape firms' trade relationships, this could have important implications for firms' sourcing costs, the diversification of economic ties, and the broader trajectory of globalization.

In this paper, we examine how the ideological alignment between U.S. corporate leaders and foreign governments influences firms' global trade activity. Identifying the causal effect of such alignment poses two main challenges. First, ideological similarity often coincides with other dimensions of proximity, such as geographic, linguistic, or cultural proximity. Second, changes in ideological distance may coincide with shifts in trade policy, which can directly affect the legality and profitability of cross-border transactions.

To address these challenges, we compile a novel dataset combining granular trade transaction data from S&P Global's Panjiva database with U.S. CEOs' political affiliations from voter registration records. Following Kempf, Luo, Schäfer, and Tsoutsoura (2023), we measure ideological distance between U.S. CEOs and foreign governments using party ideology scores from the Manifesto Project Database, and exploit foreign national elections as a source of plausibly exogenous variation in the ideological alignment between U.S. firm CEOs and foreign governments. This approach allows us to compare changes in trade patterns between Democratic- and Republican-led U.S. firms importing the same product from the same country around the same foreign election.

Our findings show that CEOs' political ideology significantly shapes firms' global trade ties. Following a foreign election, firms whose CEO experiences an increase in ideological distance are on average 4.1% less likely to import from that country relative to firms whose CEO experiences a decrease in distance, with the effect growing over time and reaching 9.7% relative to the mean two years after the election. We obtain this effect when comparing Republican- versus Democratic-led U.S. firms importing the same product category from the same country at the same point in time, implying that neither changes in product demand nor product-specific trade policies explain the result. Using a midpoint growth

rate that captures both the extensive and intensive margins, we find a 6.3%–8.6% relative decline in imported quantities and dollar values between the two groups, driven almost entirely by the extensive margin (i.e., firms starting or stopping sourcing from the election country) rather than by changes within continuing relationships. The relative decline begins in the election half-year and grows over the subsequent two years, with no evidence of pre-trends, and is very similar in the subsample of close elections, where outcomes are harder to predict ex ante and identification is therefore cleaner.

A natural concern is that this pattern reflects differential economic exposure across firms rather than CEO ideology. We address it in several ways. Our estimates are robust to defining products at the six-digit HS level and to absorbing election-specific shocks common to firms in the same industry or headquarters state; if anything, these more demanding specifications strengthen the effect. To further rule out that Democratic- and Republican-led firms source systematically from different foreign partners and that those foreign partners are differentially affected by the election, we exploit the granularity of the data to compare firms importing the same product from the same foreign supplier around the same election. The effect persists, indicating that it is not driven by differential exposure to the suppliers themselves.

We then show that firms experiencing an increase in ideological distance do not reduce their overall imports. Instead, they reallocate sourcing toward other origin countries, leaving total import volumes approximately unchanged. These substitute origins are, on average, ideologically closer to the CEO and have higher unit values, suggesting that firms are willing to source from more expensive origins to avoid political misalignment.

Why could a CEO's ideological distance from a foreign government affect where the firm sources? We hypothesize and provide direct evidence that the trade response reflects a change in CEOs' perceptions of the foreign country, using two complementary approaches based on earnings call data. First, using the country-level sentiment and risk measures of Hassan, Schreger, Schwedeler, and Tahoun (2024), we show that when CEOs become more ideologically distant from a foreign government, their firms' earnings calls contain more negative discussion of that country and more references to uncertainty. To probe this mechanism further, we use a large language model (LLM) to classify, at the sentence level, whether executives are discussing macroeconomic, political, or firm/industry-specific aspects of a foreign country, and to code the associated sentiment and uncertainty. We find that increases in ideological distance are associated with a higher likelihood that executives describe the foreign macroeconomic environment in negative and uncertain terms, with little change in the tone or perceived uncertainty associated with firm- or industry-specific conditions or other topics. The LLM analysis thus suggests that ideology operates through

executives' subjective beliefs about the foreign macroeconomy.

Taken together, our findings reveal that CEOs' political ideology has a meaningful impact on global trade activity. Ideological misalignment with foreign governments leads U.S. firms to reduce trading activity and reallocate toward higher-priced countries. Importantly, the countries covered by the Manifesto Project, from which our estimation sample is drawn, are overwhelmingly not geopolitical adversaries but democratic trading partners, and together accounted for approximately 67% of U.S. foreign trade during our sample period. Finding that CEO ideology influences firm behavior in this context, and not only in interactions with adversarial regimes, underscores the broad scope of ideological influences on cross-border economic activity. As political polarization deepens among U.S. corporate leaders, our results suggest that private firms may play an increasingly active role in narrowing the breadth of global supply chains, independently of formal policy.

The rest of this paper proceeds as follows. In the next section, we discuss the related literature. Section 3 presents the data, sample construction, and summary statistics. Section 4 describes our empirical strategy. Section 5 presents our main results on how CEOs' ideological alignment with foreign governments influences their decision to engage in trade with a given country. Section 6 provides evidence on how firms reshape their sourcing networks in response to shifts in political alignment. Section 7 explores potential economic mechanisms. Section 8 concludes.

# 2 Related Literature

Our study contributes to several strands of the literature. First, we contribute to the growing literature on geopolitics and international trade. Much of this work studies how tariffs and other government-imposed trade barriers affect trade flows and supply chains, with recent attention focusing in particular on the rise in protectionism and the U.S.-China trade war (see, e.g., Irwin, 2020; Juhász, Lane, and Rodrik, 2024, for reviews; Fajgelbaum and Khandelwal, 2022; Amiti, Redding, and Weinstein, 2019; Canayaz, Erel, Gurun, and Wu, 2024; Cen, Cohen, Wu, and Zhang, 2025, for recent evidence). Our paper instead studies a firm-level trade friction that operates through corporate leaders' political ideology. In this sense, our paper is more closely related to the emerging literature on "private sanctions," which emphasizes that firms may sever profitable international relationships for moral, political, or reputational reasons rather than because of direct government intervention (Hart, Thesmar, and Zingales, 2023). Understanding the role of executive ideology is particularly relevant in light of growing political polarization of U.S. executive teams (Fos, Kempf, and Tsoutsoura, 2025). We show that the political ideology

of corporate leaders shapes the formation and continuation of firms' cross-border trade relationships.[1]

Two contemporaneous papers are especially closely related to ours. Ayyagari, Gao, and Ma (2025) show that firms reduce imports from countries that exhibit rising hostility toward the United States, as measured via UN General Assembly voting, and that the reduction is greater for CEOs politically aligned with the sitting U.S. administration. Their focus is thus on how CEOs internalize the U.S. administration's geopolitical objectives, with the CEO's partisanship mattering through its alignment with the government in power. In contrast, we study the CEO's own political ideology relative to the foreign government, which operates independently of U.S. foreign policy and matters even for trade with countries that are not geopolitical adversaries of the United States. In addition, we study not only quantities but also sourcing costs, and we examine where the lost trade moves (i.e., how firms reallocate). Charoenwong, Peng, and Wu (2025) measure firms' political ideology using PAC donations and find that greater ideological distance between a firm and a foreign government is associated with lower imports from that country, especially in contexts where institutions are robust and capable of enforcing ideologically driven regulations. Relative to their paper, our contribution is to focus on the CEO's own ideology, measured using voter registration data, which are less likely to be influenced by strategic motives. Moreover, we trace where the displaced trade goes and the implications for firms' sourcing costs, and we provide direct evidence on the mechanism using earnings call transcripts. Also related is Chen, Dai, and Zhai (2024), who show that political homophily between U.S. firms increases the likelihood of forming domestic supply chain relationships and yields economic benefits, including more favorable trade credit terms. Relative to their paper, we study cross-border trade relationships and exploit foreign elections for identification.

Beyond global trade, a growing literature shows that political and ideological distance shapes cross-border economic exchange more broadly. Kempf, Luo, Schäfer, and Tsoutsoura (2023) show that ideological alignment with foreign governments affects cross-border capital allocation by large U.S. institutional investors and link these patterns to perceptions of foreign macroeconomic conditions, using banks' GDP growth forecasts. Aiyar, Malacrino, and Presbitero (2024) show that geopolitical distance affects foreign direct investment. More broadly, our paper is also related to the literature showing that beliefs, trust, and cultural distance shape international economic exchange (Guiso, Sapienza, and Zingales, 2009). We contribute to this literature by showing that political ideology shapes

[1]Studying the reverse mapping, from trade exposure to political behavior, Méndez and Van Patten (2025) show that a firm's economic exposure to a trade agreement influences how its employees vote in a national referendum on that agreement.

firm-level trade relationships and by identifying managers' perceptions of foreign macroeconomic conditions as an important mechanism.

# 3 Data

Our dataset combines transaction-level trade data from S&P Panjiva with information on the party affiliations of U.S. CEOs from voter registration records, as well as party ideology scores and election data from the Manifesto Project Database. We describe each data source in more detail below.

## 3.1 Global Trade Relationships

We use S&P Global's Panjiva database (henceforth Panjiva) to obtain transaction-level records of physical goods traded between U.S. firms and international trade partners via vessels between 2007 and 2023. Panjiva collects these data from the U.S. Customs and Border Protection (CBP) using Bills of Lading (BOLs). The records provide the names and addresses of the U.S. buyers or sellers, product descriptions, imputed Harmonized System (HS) codes based on these descriptions, shipment dates, and the cargo weight and volume imported or exported. For import records, Panjiva also provides the names and addresses of foreign sellers, while export records include only the destination country without information on the identity of the buyer.[2] We focus on imports rather than exports because they account for the majority of trade activity for most U.S. firms and, as we discuss in more detail in Section 5.7 below, the data quality is much higher for imports than for exports. Flaaen, Haberkorn, Lewis, Monken, Pierce, Rhodes, and Yi (2023) offer a comprehensive description of the Panjiva dataset.

We construct our sample following the approach in Smirnyagin and Tsyvinski (2022) and Barbiero, Sheremirov, Silva, and Stein (2025). We match U.S. buyers in Panjiva with entities covered by the Capital IQ database via a cross-reference table provided by Panjiva, and then aggregate these entities to their ultimate parent company, as outlined in Jain and Wu (2023). This allows us to attribute import transactions executed by multiple entities to the corresponding parent company. Next, we link these parent companies to Compustat using the crosswalk file provided by WRDS.

A critical data-cleaning step concerns the identification of the shipment's country of origin. In the Panjiva data, the standard origin field (*shpmtorigin*) often reflects the last shipping or transshipment point rather than the location from which the goods originated.

[2]Detailed foreign-buyer information in U.S. export transactions is treated as confidential under the U.S. Foreign Trade Regulations.

This distinction is important in our setting because we study whether firms change imports from a specific foreign country around an election. If shipments are incorrectly assigned to a transshipment hub instead of their true country of origin, our country-specific import measures will be mismeasured. We therefore follow Barbiero, Sheremirov, Silva, and Stein (2025) and recover the origin country using information from both *placeofreceipt* and *shpmtorigin*.

In most of our analysis, we classify products into product categories based on their two-digit HS (HS2) codes and will refer to these as "products" for brevity. Internet Appendix Table IA.1 provides descriptions for the top 15 product categories by trading cargo weight in our sample. In our robustness tests, discussed in Section 5.4 below, we show that our main results are similar if we use finer product categories, such as six-digit HS (HS6) codes. Internet Appendix Table IA.1 also contains descriptions of the most common HS6 product categories in our sample.

Finally, we aggregate shipments at the U.S. firm × HS2 product × foreign country × half-year level. A detailed description of the data cleaning steps is provided in the Internet Appendix IA.A.1.

## 3.2 Unit Values

We compute product-origin-country-year level unit values to construct a sourcing cost index for each firm-product. Because Panjiva's values are vendor-generated estimates rather than directly reported transaction values, and because they are based on procedures that are not fully transparent, we follow the previous literature and use the CEPII BACI database to calculate estimates of unit prices. Specifically, the annual bilateral trade data from the CEPII BACI database provides global coverage of trade values (in nominal U.S. dollars) and quantities (in metric tons) at the HS6 code level. CEPII BACI is built on UN COMTRADE data by reconciling exporter and importer declarations into a single harmonized flow (Gaulier and Zignago, 2010) and is widely used in international trade research (e.g., Adão et al., 2022; Ma and Schmidt-Eisenlohr, 2025).

Following Hallak and Schott (2011) and Fajgelbaum, Goldberg, Kennedy, and Khandelwal (2020), we calculate annual trade unit values (in thousands of U.S. dollars per metric ton) as the ratio of trade values to quantities at the HS6 product-trade partner level. These unit values are interpretable as prices because goods are sufficiently homogeneous within such disaggregated product codes (Fajgelbaum, Goldberg, Kennedy, and Khandelwal, 2020).

## 3.3 Ideological Distance

Measuring the ideological alignment between U.S. CEOs and foreign governments requires three ingredients: (i) data on foreign elections in countries where U.S. firms trade, (ii) information on U.S. CEOs' political party affiliations, and (iii) a measure of ideological distance between the party of the U.S. CEO and the ruling party abroad.

First, we obtain data on foreign elections from the Manifesto Project Database (MPD), which primarily covers national lower-house elections in over 50 countries.[3] The information provided by MPD includes the election date, parties' popular vote shares, and the number of seats won by each party. When multiple parties form a pre-electoral alliance to contest an election, we treat the alliance as a single political group and use its combined vote share.[4] For each election, we then define the winning party as the party or the alliance with the highest vote share.[5]

Although MPD does not cover every U.S. trade partner—most notably China, which lacks competitive multi-party elections and therefore party manifestos—the countries in MPD represent a substantial share of U.S. foreign trade. Using U.S. Census Bureau data,[6] we estimate that MPD-covered countries accounted for approximately 67% of total U.S. foreign trade during our sample period, and they accounted for approximately 51–56% of all U.S. maritime trade in Panjiva, depending on the quantity measure used. The set of foreign countries that we are able to study thus encompasses a substantial share of U.S. foreign trade.

Because our trade transaction data span the years 2007 to 2023, we focus on elections taking place between 2009 and 2021 to capture at least two years of trading data before and after each election. After restricting to elections in countries that are trade partners of U.S. firms in Panjiva, we obtain a sample of 196 foreign elections in 61 countries. The average (median) margin of victory, measured as the absolute difference between the highest and the second-highest vote share, is 12.4 (8.3) percentage points.

In addition to data on election outcomes, MPD also provides a standardized assessment

[3]See Lehmann, Franzmann, Al-Gaddooa, Burst, Ivanusch, Regel, Riethmüller, Volkens, Weßels, and Zehnter (2025) for a detailed description of the database. For South American countries, MPD mainly covers presidential elections.

[4]To identify which parties are part of the same pre-electoral alliance, we link MPD with the Varieties of Party Identity and Organization (V-Party) Dataset, available at `https://www.v-dem.net/data/v-party-dataset/`. Alliance vote shares are verified manually against publicly available election records.

[5]We also identify the party or the alliance winning the largest number of seats whenever available. Where the two definitions differ, we manually verify the election results and designate the party or alliance with the largest number of seats as the winner. For most South American countries with two-round presidential election systems, MPD only reports first-round election results. We use second-round results whenever available, since the runoff more accurately reflects which party ultimately wins the election, and first-round results otherwise.

[6]See `https://www.census.gov/foreign-trade/balance/`.

of each political party's ideology by coding their electoral manifestos. Using each party's election program, MPD classifies a party's position across various policy dimensions, some of which are pre-assigned as left or right based on the left-right political spectrum outlined by Laver and Budge (1992).[7] The approach uses publicly available pre-election documents and represents the most commonly used measure to gauge policy positions (Budge, 2001). Measuring party ideology through electoral manifestos offers a key advantage: the content is publicly available before an election. Moreover, prior research shows a strong link between manifesto positions and subsequent government spending priorities (e.g., Budge and Hofferbert, 1990).

Following Lowe, Benoit, Mikhaylov, and Laver (2011), we compute a party's left-right ideology score by comparing the share of manifesto content devoted to left- versus right-leaning policy categories. Specifically, the ideology score for party $p$ is calculated as $Ideology_p = Ln(\frac{R_p+0.5}{L_p+0.5})$, where $L_p$ and $R_p$ represent the counts of quasi-sentences in the party $p$'s manifesto assigned to left and right policy categories, respectively.

Second, to infer the political affiliations of U.S. CEOs, we begin with all CEOs of U.S.-headquartered firms covered in the S&P ExecuComp database. We infer executives' political affiliations from voter registration records, which we obtain from two sources, as in Fos, Kempf, and Tsoutsoura (2025). Specifically, we combine voter registration records obtained directly from the boards of election in California (Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma), Colorado, Illinois, Massachusetts (Boston, Cambridge), North Carolina, New Jersey, New York (New York City), Ohio, and Texas, with commercial voter data from L2, Inc., which infers party affiliations from party registrations and primaries for voters in 40 states (and DC) going back to 2014. See Fos, Kempf, and Tsoutsoura (2025) for a detailed description of the two data sources.

The combined voter data contains identifying information, such as the voter's name, date of birth, and mailing address, as well as the voter's party affiliation at the time of a given election and an indicator for the election(s) in which the individual has voted. The elections covered are general and primary elections, and in some cases, municipal elections. Whenever possible, we infer political affiliation based on the voter's registration status at a given point in time. When registration status is unavailable, we infer political affiliation based on the primaries in which the individual has voted. For example, if a voter has most recently voted in a Republican primary, we will classify her as Republican. For voters in L2, we backfill the first observed party affiliation in order to increase our data coverage prior to 2014.

We match CEOs to voters using their full names, age, and location, as described in

[7] We provide the full list of left and right policy positions in Internet Appendix Table IA.2.

Internet Appendix IA.A.2. Of the 4,787 U.S. CEOs in ExecuComp during our sample period, we successfully match 2,930 to a unique voter in the voter registration data.

Third, using the standardized left-right ideology scores for political parties from MPD, we can measure the ideological distance between a given U.S. CEO's political party and a foreign party as the absolute difference between the parties' left-right ideology scores.

## 3.4 Sample Construction

To construct our final sample, we first stack foreign elections in event time, measured in half-years, and retain the two years before and after each election, plus the half-year containing the election, for a total of nine half-year periods. We define the event window to span nine half-years to avoid many overlapping event windows, as the median time interval between elections in MPD in a given country is four years. When two elections occur too close together for the full window to fit, we truncate the event window at the midpoint between consecutive elections.[8]

We then construct the set of firm-product-election-country observations as follows. For each product category, we restrict attention to the origin countries that plausibly constitute a firm's sourcing options for that product. Specifically, we rank all countries by their total imports of the product into the United States, summed across all U.S. firms over the sample period, and retain the set that together accounts for 95% of those imports. This drops a tail of countries from which the product is essentially never sourced, while retaining all economically relevant origins. We then further restrict to firm-product pairs with at least one import record with the foreign country during a symmetric four-year window around an election.[9] For most of our analysis, we condition on firm-product-half-years in which the firm imports that product from at least one foreign country, so that the analysis isolates firms' choice of sourcing country conditional on importing the product.[10] Our final election sample covers 735 U.S. firms, which are run by 940 partisan CEOs and source from 43 distinct origin countries around 127 foreign elections.

[8]For example, if two elections are two years apart, we retain event time up to +2 half-years for the first election and down to −2 half-years for the second election. In Internet Appendix Table IA.5, we show that our main finding is robust in the balanced subsample of elections for which the full event window is available.

[9]This restriction aligns the estimations with the midpoint growth-rate analysis in Section 5.1, where firm-product pairs that do not import around elections are excluded by construction, since the midpoint growth rate is undefined when the denominator is zero. Our extensive-margin results are very similar when we remove this requirement, as Internet Appendix Table IA.5 shows.

[10]In Section 5.4 below, we show that our main finding is unchanged if we drop this filter and assign zeros to firm-product-half-years in which the firm does not import the product from any country. Moreover, Section 6 shows that an increase in ideological distance does not significantly reduce a firm's total imports of a product; the response thus operates through reallocation across origin countries rather than through the decision to import the product.

Internet Appendix Figure IA.1 reports the percentage of firm-year observations led by Democratic and Republican CEOs. The majority of CEOs are affiliated with the Republican party, with Republican CEOs accounting for about 75% of observations. The share of Republican CEOs decreases visibly after 2017, consistent with the findings in Fos, Kempf, and Tsoutsoura (2025) for a broader sample of U.S. executives.

Table 1, Panel A reports summary statistics for our main sample, where the unit of observation is a firm × election × HS2 product × half-year. Conditional on trading a given product category in a given half-year, the likelihood that a firm imports at least one shipment from the average candidate origin country is 39%. Conditional on importing from a given country, firms exchange approximately 10.8 shipments, with a combined volume of 25 twenty-foot equivalent units (TEUs), a total cargo weight of 5.1 thousand metric tons, and an estimated goods value of $7.8 million. The distribution of quantities and value of goods traded is highly skewed, consistent with the observation by Bernard, Jensen, Redding, and Schott (2009) that a small percentage of firms account for the vast majority of U.S. foreign trade.[11]

Internet Appendix Figure IA.2 plots the average number of distinct sourcing countries and product codes for our sample firms. The average firm sources from about 10 origin countries in total, spanning about 13 distinct HS2 codes and 53 distinct HS6 codes. These numbers remain relatively stable over the sample period, except that the number of distinct HS6 products exhibits an increase around 2012–2013.

# 4 Empirical Strategy

This section outlines the empirical framework used to identify the effect of CEO ideological alignment with foreign governments on firms' international trade activity. Our central hypothesis is that firms led by CEOs who are ideologically more distant from the ruling party in a foreign country are less likely to source from that country. The rationale is that establishing and maintaining an international sourcing relationship involves a fixed cost (Antràs, Fort, and Tintelnot, 2017), so a firm sources from a given country only when the expected profits from the relationship exceed that cost. If greater ideological distance leads a CEO to view a country as a less profitable or more uncertain sourcing partner after an election, the firm becomes less likely to initiate or maintain a relationship (Guiso, Sapienza, and Zingales, 2009; Kempf, Luo, Schäfer, and Tsoutsoura, 2023).

Isolating the effect of CEO ideological alignment is empirically challenging. First, the

[11] On average, there are 5.1 U.S. firms with positive imports in a typical HS2 product-election-half-year cell, with a median of 3. When products are defined at the HS6 product level, this number reduces to 1.5 (median 1).

ideological alignment between a Democratic or Republican CEO and the elected party in the foreign country may correlate with other measures of proximity, such as commonality of language, religion, or culture. For example, a Hispanic CEO might be more likely to engage in trade with Spanish-speaking countries, and she may also be more likely affiliated with the Democratic party.[12] Second, election outcomes are themselves endogenous to economic conditions (Pastor and Veronesi, 2020), so comparisons across elections occurring at different times can confound ideological alignment with the economic circumstances that shaped the election outcome itself. Third, the profitability of trade with a foreign country may be directly affected by elections due to changes in bilateral political and regulatory relationships (e.g., Silvers, 2021). For example, if a newly elected party adopts a more hostile stance toward the United States, American firms may sever economic ties with that country to avoid obstacles like tariffs or stricter regulations. Fourth, Democratic- and Republican-led firms may sort into different industries (e.g., Fos, Kempf, and Tsoutsoura, 2025) and thus import different products, creating potential heterogeneous exposure to macroeconomic shocks and trade-policy changes.

Our empirical strategy addresses these challenges by comparing how the import activity of U.S. firms led by Democratic versus Republican CEOs changes for the same product and origin country around *the same election*. Consider the following thought experiment: Two U.S. firms—one led by a Republican CEO and the other by a Democratic CEO—import the same product category (say, plastics) from suppliers located in Italy. Following the Italian general election in 2013, the incumbent party "Center-right coalition" was succeeded by the center-left "Italy. Common Good" alliance. As a result, the ideological distance to the ruling party increases for the Republican CEO and shrinks for the Democratic CEO. We can therefore implement a difference-in-differences design that compares changes in each firm's likelihood of importing the same product from Italy before and after the election. This approach allows us to isolate the effect of the CEO's ideological alignment from time-invariant dimensions of proximity, such as cultural or linguistic ties, while differencing out election-related changes in macroeconomic conditions or trade policy common to both firms. We explicitly address the possibility that Democratic- and Republican-led firms may differ in their economic exposure to the election in ways our within-product comparison does not capture in Section 5.2 below.

To take this thought experiment to the data, we compute the change in firm $f$'s CEO's ideological distance to the ruling party in foreign country $c$ around election $e$:

$$\Delta Distance_{fec} = \left|Ideology_{fec}^{CEO} - Ideology_{ec}^{Winner}\right| - \left|Ideology_{fec}^{CEO} - Ideology_{\underline{e}c}^{Winner}\right|, \quad (1)$$

[12]For example, see `https://www.pewresearch.org/politics/2024/04/09/partisanship-by-race-ethnicity-and-education/`.

where $Ideology_{fec}^{CEO}$ denotes the left-right ideology score of firm $f$'s CEO at the end of the year prior to election $e$ in foreign country $c$, measured based on the most recent manifesto of the CEO's political party. $Ideology_{ec}^{Winner}$ refers to the ideology score of the party or alliance receiving the highest vote share in election $e$, measured using the party manifesto in election $e$. When multiple parties run as a pre-electoral alliance, we assign the alliance the ideology score of the member party that receives the largest share of votes. We define $Ideology_{\underline{e}c}^{Winner}$ analogously, but with respect to election $\underline{e}$, the most recent election in country $c$ prior to election $e$. Fixing the CEO's ideology score at its value one year before election $e$ ensures that $\Delta Distance_{fec}$ captures solely the outcome of the foreign election, not shifts in the CEO's own ideological position. We then define $Distance\,Increase_{fec}$ as an indicator equal to one if $\Delta Distance_{fec}$ is non-negative, and zero otherwise.[13]

Internet Appendix Table IA.3 provides examples that illustrate the computation of $\Delta Distance_{fec}$ for the 2013 general election in Italy and for the 2012 election in France. As illustrated by the two examples, variation in our *Distance Increase* variable is generated only by elections in which Republicans experience an increase in ideological distance and Democrats experience a decrease, or vice versa. For example, the 2012 French election of the Socialist Party of François Hollande would not generate such variation, as both Republicans and Democrats experienced an increase in ideological distance following the election. About 47% of the elections in our sample provide such identifying variation.

Internet Appendix Table IA.4 reports information on how distance-increase and distance-decrease firms differ from one another. We regress $Distance\,Increase_{fec}$ on observable firm and CEO characteristics and find that firms experiencing an increase in ideological distance are very similar to distance-decrease firms on many characteristics (e.g., total import value, breadth of the sourcing network, firm size, leverage, profitability, CEO age, and CEO prominence).

We then estimate the following OLS regression:

$$Import_{fecpt} = \alpha_{ecpt} + \alpha_{fecp} + \beta Distance\,Increase_{fec} \times Post_{ect} + \epsilon_{fecpt}, \tag{2}$$

where $Import_{fecpt}$ is an indicator equal to one if firm $f$ has imported at least one shipment from foreign country $c$ in product category $p$ in half-year $t$ around election $e$, multiplied by 100 for ease of interpretation. The indicator $Post_{ect}$ takes a value of one if half-year $t$ falls

[13]Because party manifestos almost always change from one election to another, we do not observe exact zeros for $\Delta Distance_{fec}$ in our estimation sample. Our results are therefore not sensitive to how zeros would be treated. We prefer a binary treatment variable over a continuous measure in our baseline specification, given the recent literature highlighting issues with difference-in-differences designs with non-binary treatments and high-dimensional fixed effects (de Chaisemartin and D'Haultfœuille, 2020; de Chaisemartin and D'Haultfoeuille, 2023). Moreover, a binary treatment variable allows us to be agnostic about the exact functional form linking ideological distance to the extensive margin of trade.

in the post-election period (i.e., $\tau = 0$ to $\tau = +4$), and zero if it falls in the pre-election period (i.e., $\tau = -4$ to $\tau = -1$). We stack our sample by country and election date, thus addressing concerns regarding differential weighting of events occurring earlier versus later in the sample period, as noted by de Chaisemartin and D'Haultfœuille (2020), Callaway and Sant'Anna (2021), and Baker, Larcker, and Wang (2022). Due to some overlapping event windows, the unit of observation is a firm × election × product × half-year rather than a firm × country × product × half-year. Because our objective is not to predict whether a firm imports a given product category, but rather from which country it sources conditional on importing, we exclude half-years in which the firm does not import from any foreign country in that product category.[14] We cluster standard errors at the level of our treatment (CEO party × election), as recommended by Abadie, Athey, Imbens, and Wooldridge (2022).

By including election × product × time fixed effects ($\alpha_{ecpt}$), we are able to control for the direct macroeconomic impact of the election, for the bilateral relations between the U.S. and foreign countries, as well as for changes in bilateral trade policy (e.g., import duties) at the product level. By including firm × product × election fixed effects ($\alpha_{fecp}$), which subsume firm × country fixed effects, we can further control for any time-invariant differences in trade relationships across firm-country pairs. For example, we can rule out the possibility that firms consistently trade more with certain countries because of closer religious, ethnic, or cultural ties between their corporate leaders and these countries, or because they already have well-established trade networks.

Our main tests focus on the extensive margin, because it can be measured precisely in the Panjiva data and because firms' extensive margins are important for understanding aggregate patterns in global trade (Bernard, Jensen, Redding, and Schott, 2009). We also examine the effect on imported quantities and dollar value and describe that approach in Section 5.1 below.

To better understand the precise timing of the effects, we estimate the following dynamic specification:

$$Import_{fecpt} = \alpha_{ecpt} + \alpha_{fecp} + \sum_{\tau=-4,\tau\neq-1}^{+4} \beta_\tau \, Distance\, Increase_{fec} \times D^{\tau}_{ect} + \epsilon_{fecpt}, \quad (3)$$

where $D^{\tau}_{ect}$ stands for event-time dummies and all other variables are defined as above.

[14] In Internet Appendix Table IA.5, we show that our main finding is robust to assigning zero to the half-years when firms do not import the product from any countries. In Section 5.6, we also examine the effect of ideological distance on aggregate import quantities and value.

# 5 CEO Ideological Alignment and Foreign Trade

In this section, we examine the effect of CEO ideological alignment on firms' foreign trade activity. Section 5.1 presents the main results; Section 5.2 shows that they are not driven by differential economic exposure across firms; Section 5.3 asks whose ideology (within the firm and within the foreign government) drives the effect; Section 5.4 reports robustness tests; Section 5.5 examines election heterogeneity; Section 5.6 presents evidence on aggregate effects, and Section 5.7 discusses our findings for exports.

## 5.1 Main Results

We begin by examining whether firms whose CEO experiences an increase in ideological distance around a foreign election are less likely to trade with that country, relative to firms whose CEO experiences a decrease in ideological distance.

Table 2 presents the results from the estimation of equation (2). The coefficient of interest, $Distance\,Increase \times Post$, captures the effect of an increase in the CEO's ideological distance on the likelihood of importing from a foreign country in a given half-year, relative to firms with a decrease in the CEO's ideological distance. The estimates from our preferred specification in column (3) suggest that firms whose CEO experiences an increase in ideological distance are 1.6 percentage points (pp) less likely to import from the foreign country following the election. Relative to the average probability of importing in the estimation sample, this corresponds to a 4.1% decline.

Our most demanding specification in column (3), with the most granular set of fixed effects, ensures that our results are not driven by several potentially important confounding factors. Using election $\times$ product $\times$ time fixed effects, we control for the direct macroeconomic impact of the election, for changes in the bilateral relations between the U.S. and foreign countries, as well as for changes in bilateral trade policy (e.g., import duties) at the product level. By including firm $\times$ product $\times$ election fixed effects, we further eliminate persistent firm-country linkages; for example, a firm that systematically trades more with nations that are culturally close to its CEO.

To shed light on the dynamics of the effect, Figure 1 plots the coefficients $\beta_\tau$ from equation (3). The omitted period is $\tau = -1$, meaning that all differences are measured relative to the difference at $\tau = -1$. The figure illustrates a relative decline in the propensity to trade for CEOs with increased ideological distance, compared to those with decreased ideological distance, following the election. The decline begins in the half-year that contains the election and continues for the next four half-years, reaching –3.8 pp two years after the election, which represents a decline of –9.7% (=–3.78/39.04) relative to the unconditional

mean. Importantly, there is no evidence of pre-trends prior to the election. The gradual build-up of the post-election effect is consistent with sticky sourcing relationships: firms may revise their perceptions of a country immediately after the election, but import adjustment can take time as contracts are renegotiated and alternative suppliers are identified (Grossman, Helpman, and Redding, 2024; Handley, Kamal, and Monarch, 2024; Antràs, Fort, and Tintelnot, 2017).

Next, we examine how changes in CEO ideological distance affect the quantities and estimated value of goods traded. For each firm-product-election, we aggregate import quantities and value over the pre- and post-election periods, such that the unit of observation is a U.S. firm × foreign election × product, and assign zeros to missing trade flows.[15] Our dependent variable is the midpoint growth rate, widely used since Davis, Haltiwanger, and Schuh (1996) to study job creation and destruction and recently applied to international trade by Matray, Müller, Xu, and Kabir (2024) and Beaumont, Matray, and Xu (2024):

$$g_{fecp} = \frac{Q_{fecp}^{post} - Q_{fecp}^{pre}}{0.5 \times \left(Q_{fecp}^{post} + Q_{fecp}^{pre}\right)}, \tag{4}$$

where $Q_{fecp}$ is measured as the number of shipments, volume in twenty-foot equivalent units (TEU), cargo weight in metric tons, and the estimated dollar value of goods, respectively.

The midpoint growth rate offers a methodologically appealing approach to measuring changes in trade flows that addresses well-known limitations of standard log-difference specifications. The measure is implemented on a balanced panel in which missing trade flows are filled with zeros, so that newly formed and terminated trade relationships are naturally incorporated. Therefore, the measure captures changes in trade flows along both the intensive and extensive margins, since newly formed relationships contribute a value of two, exiting relationships contribute a value of minus two, and continuing relationships contribute their intensive-margin growth rate, all without requiring ad hoc transformations. We can thus easily decompose the overall midpoint growth effect into intensive, entry, and exit margins. More importantly, the construction allows a decomposition of growth along multiple dimensions. This allows us to quantify how much of the total growth rate is contributed by each component separately. See Matray, Müller, Xu, and Kabir (2024) for details on the advantages of the methodology in the context of international trade.

Table 3, Panel A reports the total effect of ideological distance on the midpoint growth rates of imports. In column (1), the coefficient on *Distance Increase* captures the average change in the number of shipments for firms whose CEO experiences an increase in ideolog-

[15] When studying quantities and value, we restrict the sample to shipments with non-missing information on volume, cargo weight, and estimated dollar value, so that the estimates are based on a common sample of shipments across all measures.

ical distance, relative to distance-decrease firms around the same election. The estimates show that distance-increase firms reduce shipments from the election country by approximately 8.6% in midpoint-growth-rate terms compared to distance-decrease firms. They reduce imported volume by 6.5%, cargo weight by 6.8%, and estimated value by 6.3%, all again in midpoint-growth-rate terms and relative to firms whose CEO experiences a decrease in ideological distance. Imports based on volume, cargo weight, and estimated dollar value are measured with greater error than the number of shipments, since shipments containing multiple products require us to allocate the reported totals across these products (see Appendix IA.A.1 for details). This measurement error could explain the weaker statistical significance of the effect for these three variables.

Following Matray, Müller, Xu, and Kabir (2024), we decompose the midpoint growth rate into three mutually exclusive components: entry (new trade relationships, contributing +2), exit (terminated relationships, contributing –2), and the intensive margin (changes in quantities and value among continuing relationships). By construction, the total midpoint growth rate equals the sum of these three components, so the coefficients in columns (1) and (2) of Panel B and Panel C sum to the total effect in Panel A. Because the entry and exit components depend only on whether a trade relationship is active, they are identical across all four measures. We therefore report them once in Panel B.

Columns (1) and (2) of Panel B show that an increase in ideological distance affects both the entry and exit margins, with the entry margin contributing approximately 4.2 pp and the exit margin 3.0 pp, indicating that distance-increase firms are both less likely to start importing and more likely to stop importing from the election country. Columns (3) and (4) further decompose the exit margin into contributions by firm-product links with high versus low pre-election import shares. For each election, we compute the share of the firm's imports of product $p$ coming from election country $c$ as the ratio of the total cargo weight imported from the election country to the firm's total imported cargo weight of that product, aggregated over all periods prior to the election. We then sort firm-product links by this share within each election and classify those with shares in the top quartile as having a high import share (and low import share otherwise).[16] The results indicate that the larger exit margin contribution is coming from firm-product links with low pre-election import shares.

Panel C reports the intensive margin for all four measures. The intensive margin coefficients are positive, economically small, and statistically insignificant for volume, weight, and estimated dollar value. The intensive margin does contribute nontrivially for the number of shipments, at –1.4 pp of the total midpoint growth rate, although the effect is not

[16]We also find a larger contribution by low-import share relationships when we split at the median rather than at the 75th percentile.

statistically significant.

To put our estimates into perspective, we compare them to other shocks to cross-border trade relationships that differ in nature and severity. Bisetti, She, and Žaldokas (2026) show that U.S. firms cut imports substantially (by 31.8%) when their suppliers experience environmental and social incidents, though that effect applies to a single buyer-supplier relationship, whereas ours applies to sourcing from an entire country. Alfaro, Brussevich, Minoiu, and Presbitero (2025) report that tariff-hit firms were 82% more likely to terminate a relationship with a Chinese supplier during the 2018–2019 U.S.-China trade war. That our effect is considerably smaller than either is expected: we study routine democratic elections rather than targeted supplier incidents or a large statutory trade shock. The most informative comparison is with Michaels and Zhi (2010), who document an approximately 9% decline in U.S.-France bilateral trade during the 2003 Iraq War, driven by anti-French consumer sentiment. Our effects are of similar magnitude, indicating that even democratic elections can generate trade frictions comparable to those of salient political conflicts.

Taken together, the results in Table 3 shed light on how CEO ideology shapes firms' import behavior. The import decline is almost entirely accounted for by the entry and exit margins, while the intensive margin contributes either nothing or little.

## 5.2 Heterogeneous Economic Exposure?

A natural concern is that Democratic- and Republican-led firms differ in their economic exposure to the foreign election. Our baseline comparison already addresses the most direct version of this: because we compare firms importing the same HS2 product from the same country around the same election, any exposure operating through the broader product categories that the two groups import is differenced out. Two firms sourcing the same product from the election country face the same product-specific demand and policy shocks, regardless of their CEOs' politics. A residual concern is that the two groups differ along dimensions not captured by the products they import, such as the industries they operate in, or if Democratic- and Republican-led firms source from left- versus right-leaning foreign suppliers (as Chen, Dai, and Zhai (2024) show in the U.S. context) that are themselves differentially affected by the election. We conduct several tests to rule out these residual channels.

First, to address the concern that HS2 product categories are too coarse and mask potentially remaining product heterogeneity, we use even finer product categories: six-digit HS (HS6) codes. HS6 codes are very granular and should largely remove remaining differences in the features of imported products. For example, plastic bags and plastic bottles both fall within the same HS2 chapter (39, plastics) but separate at the six-digit

level. However, the use of HS6 codes also comes at a cost: there are, on average, 5.1 U.S. firms with positive imports in a typical HS2 product × election × half-year cell. When products are defined at the HS6 product level, this number reduces to 1.5, leaving less variation to exploit.

Panel A of Internet Appendix Table IA.5 reports the baseline result when we define product categories based on six-digit HS codes. The coefficient on $Distance\,Increase \times Post$ is –0.617 pp, representing a 5.3% decline relative to the unconditional mean in this sample, and is statistically significant. Unobserved differences in the imported products are thus unlikely to drive our results.

In Panel B of Internet Appendix Table IA.5, we further refine our fixed effects to control for other sources of firm heterogeneity. We replace election × product × time with election × industry × product × time and election × headquarters state × product × time fixed effects, respectively, to control for the fact that Democratic and Republican CEOs may sort into different industries or geographies (e.g., Kempf and Tsoutsoura, 2024).[17] If anything, our coefficient estimate increases. Combined, the finer product definitions and the industry fixed effects mitigate the concern that Democratic- and Republican-led firms differ in terms of industry or product exposure.

Second, we exploit the granularity of our data to examine trade relationships at the supplier level. Specifically, we expand the dataset from the firm × election × product × half-year level to the firm × election × product × supplier × half-year level. For each product-election pair, we construct a candidate supplier pool that consists of all suppliers from the origin country that have exported the product to at least one U.S. firm in our sample during the four years surrounding the election. We then expand the data to include all suppliers in this pool and define an import indicator equal to one if a firm imports product $p$ from supplier $s$ at time $t$ around election $e$ in country $c$, and zero otherwise.

This disaggregated panel allows us to compare how U.S. firms whose CEOs experience an increase versus decrease in ideological distance adjust imports from the *same supplier* for the same product around the same election. More concretely, we estimate the following equation:

$$Import_{fecpst} = \alpha_{ecpst} + \alpha_{fecps} + \beta Distance\,Increase_{fec} \times Post_{ect} + \epsilon_{fecpst}, \qquad (5)$$

where $s$ refers to a supplier and all other variables are defined as in our baseline equation (2). By including election × product × supplier × time fixed effects ($\alpha_{ecpst}$), we compare U.S. firms trading the same product with the same supplier at the same point in time. This absorbs any supplier-specific response to the election, including changes in the supplier's

[17] We define industries based on the Fama-French-12 Industry classification.

own conditions, and thus isolates differential adjustments across U.S. firms facing different changes in ideological distance.

The results from this estimation are reported in Table 4. Our most conservative estimates, reported in column (3), indicate that a U.S. firm whose CEO experiences a distance increase is 3.3 basis points (bps) less likely to import from the same supplier relative to a firm whose CEO experiences a distance decrease. Relative to the unconditional mean of the dependent variable, this represents a decrease of 8.8%, which is larger than the economic effect estimated in our baseline specification. Unobserved supplier heterogeneity is thus not driving the result.

Combined, the above results indicate it is very unlikely that the differential trade response is driven by Democratic- versus Republican-led firms having differential economic exposure to the foreign election result.

## 5.3 Whose Ideology Matters?

The effect we document is driven by the ideological distance between two parties: the U.S. CEO and the foreign government. A natural question is whose ideology matters on each side; i.e., which decision-maker within the firm, and which actor within the foreign government.

Given the rising partisan segregation of U.S. executives documented by Fos, Kempf, and Tsoutsoura (2025), the relevant political views may be those of the CEO specifically or may instead reflect the broader political orientation of the firm's leadership. To address this question, we compare the explanatory power of the CEO's party affiliation with that of other top executives reported in ExecuComp. The results, reported in Internet Appendix Table IA.6, show that the party of the CEO matters more for firms' trade responses than the party affiliation of other top executives. This pattern is consistent with our focus on the CEO, who is typically the central decision-maker in setting firm strategy and shaping strategic sourcing decisions. At the same time, we do not interpret the CEO's party affiliation as capturing only the political views of a single individual. In practice, the CEO's political orientation may also reflect the views of other influential decision-makers within the firm, including board members or heads of procurement, either because these actors help select and retain the CEO or because they sort into leadership teams with similar political leanings. We therefore view CEO ideology as the most informative observable proxy for the political orientation of the relevant decision makers, while the stronger results for CEOs than for other executives suggest that the CEO plays a particularly important role.

A related question is whether the differential trade response is driven by distance-

increase or distance-decrease CEOs, or by Democratic versus Republican CEOs. Unaffiliated CEOs may offer a politically neutral benchmark that allows us to test for potential asymmetries. When we include unaffiliated CEOs, we find little evidence that distance-increase CEOs differ from unaffiliated CEOs in the post-election period, while distance-decrease CEOs become significantly more likely to import from the election country relative to unaffiliated CEOs (see Internet Appendix Table IA.7, column (1)). This pattern is consistent with the aggregate effects we document in Section 5.6 below.

When we examine potential asymmetries between Democratic and Republican CEOs by further interacting the $Distance\,Increase \times Post$ variable with indicators for CEO party, the deviation from unaffiliated CEOs is more pronounced for Democratic CEOs than for Republican CEOs (see Internet Appendix Table IA.7, column (2)), although the difference is not statistically significant. This asymmetry admits at least two interpretations. One possibility is that Democratic CEOs' views of foreign countries are more responsive to changes in government ideology than those of Republican CEOs. Another is that politically unaffiliated executives do not represent a politically neutral benchmark and may instead be systematically closer to Republicans. The latter interpretation is plausible in our setting given the strong Republican majority among CEOs in our sample, and the fact that many self-declared independents have strong partisan allegiances (Abramowitz, 2018).

On the foreign side, we ask which actor's ideology within the elected government the CEO responds to. Our baseline measure uses the party or alliance with the largest vote share, which typically also leads the government. But the head of government need not come from that party, and in coalition governments the prime minister's party can differ ideologically from the government as a whole. Using data from the ParlGov project to identify prime ministers and governing coalitions,[18] we assign the prime minister the left-right ideology score of his/her party in MPD and compute the government's ideology as the seat-weighted average across all coalition parties. We then re-estimate our baseline specification using *Distance Increase* indicators based on the CEO's distance to the prime minister's party and to the governing coalition, respectively, and report the results in the Internet Appendix Table IA.8. Both measures matter economically, but only distance to the prime minister is statistically significant, consistent with Kempf, Luo, Schäfer, and Tsoutsoura (2023) and suggesting that the ideology of the head of government is more salient than that of junior coalition partners. When we include our baseline (winning-party) measure alongside the prime-minister measure, the latter becomes insignificant while the baseline coefficient is essentially unchanged, reflecting the high correlation between the winning party and the prime minister's party.

[18] See `https://www.parlgov.org/`.

## 5.4 Robustness

We now show that our main finding is robust to a range of alternative specifications (see Internet Appendix Table IA.5). Panels A and B, which report the six-digit product definition and the augmented fixed effects, are discussed in Section 5.2; here we focus on the remaining panels.

Panel C restricts the sample to close elections, in which the vote margin is slim and election outcomes are difficult to predict, thus providing even stronger conditions for causal identification. Following Akey (2015) and Heitz, Wang, and Wang (2023), we first define close elections as those in which the vote share difference between the winning party and the runner-up is less than five percentage points. We also use an alternative definition of close elections based on a vote share difference in the bottom quartile across all elections taking place during 2009 to 2021 in MPD, following Julio and Yook (2016). These sub-samples comprise 38 and 29 elections, respectively. Across both definitions, we find statistically significant and, if anything, slightly larger coefficient estimates. We also find very similar estimates in a balanced subsample of elections for which the full event window is available, and when we assign zero to firm-product-half-years in which the firm does not import that product. Our results also remain highly statistically significant if we double-cluster standard errors by CEO party $\times$ election and time, or CEO party $\times$ election and firm, or by product $\times$ country (see Panel D).

Next, we consider an alternative measure of ideological distance (see Internet Appendix Table IA.9). Specifically, we use populism index from the V-Party dataset as an alternative party characteristic to the left-right ideology measure, as in Marx, Pons, and Rollet (2024). We then compute the *Distance Increase* indicator using the populism index, and obtain an economically and statistically significant result (in column (1)), suggesting that populism captures a meaningful dimension of political distance. In column (2), we include *Distance Increase* $\times$ *Post* alongside, and find that both dimensions of political distance matter, but our baseline distance-increase measure has somewhat higher statistical significance.

## 5.5 Election Heterogeneity

The results so far establish an average effect of ideological alignment that is robust across specifications and ideology measures. We now examine how the effect varies across electoral environments. Because our baseline estimate averages across elections, it likely masks heterogeneity: effects may be larger for elections that are more salient to U.S. CEOs, where the shift in the foreign political environment is more visible, and for elections in

which left-right issues account for a larger share of party manifestos, where our ideology score more accurately captures what parties stand for.

We therefore augment the baseline specification from column (3) of Table 2 by interacting the independent variable with an indicator for the relevant election characteristic. First, we test whether our baseline effect is stronger when elections are likely more salient to U.S. CEOs. We use media coverage of each election, measured as the share of election-related articles among the top 50 U.S. newspapers from the Media Cloud archive (Roberts, Bhargava, Valiukas, Jen, Malik, Bishop, Ndulue, Dave, Clark, Etling, et al., 2021), searching for the country name and "election" within a ten-day window. We then construct a high-media-coverage indicator equal to one for elections in the top quartile within each election year, and zero otherwise. We interact the indicator with our independent variables and report the results in column (1) of Internet Appendix Table IA.10. The results suggest that the effects are concentrated in elections that receive high media coverage, consistent with these elections being sufficiently visible to shape U.S. CEOs' perceptions.

Second, we test whether the effect is stronger in elections where left-right policy issues feature more prominently in party manifestos. We first compute the share of manifesto content devoted to these left-right policy categories, averaged across contesting parties in an election. We then construct an indicator for elections with a high left-right-topic share equal to one for elections in the top quartile within an election year, and zero otherwise. We report the results in column (2) of Table IA.10, and find that the effect is larger when left-right policies are more central to party platforms.

Finally, we examine whether the effect differs in party-changing elections, where the incumbent governing party is replaced. The point estimate is about 29% larger than in elections without a change in the governing party, but the difference is not statistically significant (see column (3)).

## 5.6 Aggregate Effects

Our main analysis focuses on comparing Republican- and Democratic-led U.S. firms within election-product-time and firm-product-election cells. While this saturated specification offers clear advantages for identification, it leaves two questions open. First, it does not tell us whether the narrow within-cell contrast that we document translates into economically meaningful divergence in the groups' aggregate trade activity. Second, because the baseline coefficient is a difference between the distance-increase and distance-decrease groups, it is silent on which group moves more.

To examine both, we implement an aggregate version of our event-study design at the event time $\times$ distance-change-group level. For each event-time half-year and distance-

change group (increase versus decrease), we compute the share of active firm-product-country import links, in percentage points. Figure 2 plots these shares for the two groups by event time, with each group expressed relative to its own pre-election average, so that values are interpreted as deviations from the pre-election baseline. Figure 2 shows a clear divergence between the two groups after an election. The two groups move in parallel in the four half-years before the election, with no systematic separation. Following the election, the distance-decrease group exhibits a steady increase in its active import links, reaching a level of ca. 3.5 pp above the pre-election average in half-year $\tau = +3$, while the distance-increase group remains essentially flat. The gap between the two groups starts at $\tau = 0$ and widens over the subsequent half-years. The magnitude and timing of the effects are broadly consistent with the micro-level results in Table 2 and Figure 1, indicating that the granular within-product-cell responses are also visible in the two groups' aggregate trade activity. Moreover, the results suggest that the divergence is driven primarily by the distance-decrease group expanding its sourcing links rather than by the distance-increase group contracting, an asymmetry consistent with the comparison to unaffiliated CEOs in Section 5.3.

## 5.7 Exports

So far we have studied imports. We now ask whether CEO ideology shapes trade on the selling side as well. If ideological distance makes CEOs more pessimistic about a foreign country, they may also invest less in customer relationships or sales efforts there. On the other hand, if export decisions are largely governed by a firm's existing customer base (Chaney, 2014) and foreign demand, this could leave CEOs less discretion over where goods are sold, which would suggest weaker effects on exports. The main challenge on the export side is measurement: the destination field in Panjiva often reflects the port of discharge or a transshipment point rather than the buyer's country, so the election country is assigned with greater error than for imports, where we can recover the country of origin.[19]

To nevertheless provide some initial evidence on exports, we process the export data provided by Panjiva analogously by linking U.S. sellers to their parent companies, as described in the Internet Appendix IA.A.1. In Internet Appendix Table IA.11, we then re-estimate column (3) of Table 2 but use an export indicator as the dependent variable, which is equal to one if the firm exports at least one shipment to the election country in a given product category and half-year. In column (1), where we include all export shipment

[19]This asymmetry reflects U.S. disclosure rules rather than a feature of Panjiva. The recorded country of ultimate destination is the country known to the exporter at the time of export; goods routed through frequent-transshipment countries may be recorded as destined there rather than for the eventual market (15 CFR 30.6(a)(5)(ii)).

records, the result is economically small and statistically insignificant. To address the concern about measurement error, we also estimate the same regression on a subsample that excludes shipment records for which the destination country coincides with the country of the port of unlading (see column (2)). This subsample yields a coefficient of about -5.2 pp (significant at the 5% level), corresponding to a 15.1% decline in the likelihood of exporting to the election country for distance-increase firms relative to distance-decrease firms.

Taken together, these results suggest that CEO ideology may shape cross-border trade on the selling side as well, and that the absence of an effect in the full sample may reflect the noisier measurement of export destinations rather than the absence of a behavioral response.

# 6 Supply Chain Reconfiguration

We have shown that firms reduce imports from the election country when their CEO experiences an increase rather than a decrease in ideological distance. We now ask how firms adjust their broader sourcing network. Do they reduce foreign sourcing overall, or do they reallocate to other foreign suppliers? And if they reallocate, where does the sourcing go?

To study total imports by the firm, we begin by aggregating import quantities and value over all origin countries in the pre- and post-election periods for a given firm-product pair. As in Table 3, the unit of observation is a U.S. firm $\times$ foreign election $\times$ product, but now the midpoint growth rate is computed over the firm's total imports across all sourcing countries rather than just imports from the election country. We also compute the midpoint growth rate in the number of distinct sourcing countries for a given firm-election-product.

The results, reported in Panel A of Table 5, indicate that an increase in ideological distance does not lead firms to meaningfully reduce their import volumes overall. Although the point estimates are negative and range between –0.8 pp (for volume) and –2.5 pp (for the number of countries), we find no statistically significant decrease in total imports. This suggests that firms are reallocating across foreign countries while leaving total imports roughly unchanged. The finding that firms reallocate across foreign suppliers rather than reducing overall imports is consistent with the broader trade literature, which documents substantial reallocation across foreign suppliers following tariff shocks (e.g., Fajgelbaum, Goldberg, Kennedy, and Khandelwal, 2020; Handley, Limão, Ludema, and Yu, 2024) and supply chain disruptions (Bisetti, She, and Žaldokas, 2026), with limited evidence of reshoring in the short run.

Panel B reports the contribution of the election country to the midpoint growth rate

of total imports; essentially, it answers how much the firm's total imports would have fallen if the reduced sourcing from the election country were not offset elsewhere. The decline in election-country sourcing implies that distance-increase firms would exhibit 3.1 pp lower growth in the number of sourcing countries, 3.2 pp lower growth in the number of shipments, and 2.4–2.6 pp lower growth in cargo weight and estimated value, relative to distance-decrease firms. As before, the effects are more precisely estimated for the variables measured with less error, the number of countries and shipments. The contribution of non-election countries, by contrast, is positive though not statistically significant (see Internet Appendix Table IA.12).

If distance-increase firms leave their total imports roughly unchanged while cutting imports from the election country, where does their sourcing go? We first ask whether they reallocate toward ideologically closer countries. We decompose the growth in total imports into the contribution of ideologically close non-election countries, defined as countries whose pre-election ideological distance between the CEO and the ruling party is smaller than the CEO's distance to the winning party in the election country. Panel C shows that distance-increase firms substitute toward these ideologically closer countries, which absorb most of the sourcing redirected away from the election country. Panel D reveals that imports from ideologically distant countries (including countries not covered by Manifesto, such as China and India) do not move meaningfully.

To address the concern that the set of ideologically closer countries may differ between distance-increase and distance-decrease firms, and that our results may therefore reflect heterogeneity in country characteristics across the two groups, we also conduct the reallocation analysis at a more granular level. Specifically, we expand the main sample to the firm $\times$ election $\times$ product $\times$ non-election sourcing country $\times$ half-year level. For each firm $\times$ election $\times$ product cell, we include all potential sourcing countries from which a firm could import the product, defined as all non-election countries from which any U.S. firm in the Panjiva database has imported that product prior to the election. We then augment our baseline specification by interacting the independent variables with an indicator for ideologically close sourcing countries, defined as above, and further include election $\times$ product $\times$ sourcing country $\times$ time and firm $\times$ election $\times$ product $\times$ sourcing country fixed effects, which absorb all time-invariant firm-country heterogeneity. The results are reported in Internet Appendix Table IA.13 and show a positive coefficient on the triple interaction term, suggesting that distance-increase firms are more likely to import from ideologically closer non-election countries following the election compared to distance-decrease firms. While the triple-interaction specification is useful to address concerns about unobserved country heterogeneity, we prefer the midpoint growth decomposition analysis for our main test, as

it is very transparent about how imports shift at the firm-product level.

Next, we examine whether firms reallocate imports towards more expensive sourcing countries. We conduct this analysis at the HS6 product level in order to obtain more precise comparisons of unit values and to reduce concerns that the estimates are confounded by differences in product composition within coarser product categories.

At the firm-HS6 product-half-year level, we construct a constant-price sourcing cost index, defined as a weighted average of country-level unit prices (in thousands of U.S. dollars per metric ton) in which prices are held fixed and only the import weights vary over time. All time variation in the index therefore reflects changes in import shares rather than price movements. Unit prices are computed for each HS6 product–country–year as the dollar value of U.S. imports divided by the imported cargo weight, using annual bilateral trade data from the CEPII BACI database. We construct two versions of the index, fixing prices either at their average over the pre-election period or at their level one year before the election, and use the logarithm of the index as the dependent variable. The average value of the cost index is approximately \$23k per metric ton in our sample (see Panel B of Table 1).

We report the results of our analysis in Table 6. Because these outcomes are constant within firm–product pairs in a given half-year, we double-cluster standard errors at the firm $\times$ product and CEO party $\times$ election levels. The results suggest that firms facing an increase in ideological distance shift toward more expensive sourcing countries, experiencing an average increase in their sourcing cost index of 0.6% to 0.7% relative to firms that experience a distance decrease.

In sum, distance-increase firms do not appear to significantly reduce their total imports relative to distance-decrease firms. Instead, they reallocate sourcing toward ideologically closer countries, and to countries with higher unit values, suggesting that distance-increase firms may be willing to incur higher costs to avoid political misalignment.

# 7 Economic Mechanism

The patterns we have documented are consistent with a simple framework for firms' sourcing decisions. Establishing and maintaining a relationship with a foreign supplier entails a fixed cost (Antràs, Fort, and Tintelnot, 2017), so a firm sources a given product from a given country only when the expected profits from the relationship exceed that cost. The expected profits depend on the CEO's beliefs about the profitability and risk of sourcing from that country. We posit that ideological distance enters this decision as a wedge on the CEO's expected profits: greater distance to the foreign government lowers the CEO's

expectation of the relationship's profitability, or raises the perceived uncertainty around it, or both.[20] When a CEO becomes more pessimistic or more uncertain about a country's economic and policy trajectory, the perceived risk of relying on suppliers there rises. A weaker macroeconomic outlook, for example, can raise the likelihood that suppliers face financial distress and tighter financing conditions, which bear directly on their ability to produce and deliver because trade is credit-intensive (Amiti and Weinstein, 2011; Foley and Manova, 2015). Misaligned CEOs may also anticipate a less favorable or less predictable policy environment. When an election moves a CEO further from the governing party, relationships whose expected profit was close to the fixed-cost threshold are thus pushed below it, and the firm exits or does not enter, while relationships with higher profitability are left in place.

This framework provides a unified interpretation of our empirical findings. Because the wedge operates on the discrete decision to enter or maintain a relationship rather than on the marginal cost of the imported goods, the response should appear primarily on the extensive margin (i.e., entry and exit) and not among continuing relationships, which is what we find. In addition, because only relationships near the profitability threshold are affected, exits should be concentrated among relationships that were less important ex ante, also consistent with the evidence. Finally, because the firms' overall input needs are set elsewhere, cutting relationships with the election country should primarily redirect sourcing to other sourcing countries rather than reduce total imports. The observed reallocation of imports towards ideologically closer countries is consistent with this prediction. The framework thus jointly explains the extensive-margin responses, less-important-relationship exits, and the reallocation results.

The framework also delivers two additional testable implications. First, if ideological distance operates through the CEO's beliefs about the foreign country, then increases in distance should coincide with more negative and/or more uncertain assessments of that country and, more specifically, of its macroeconomy rather than of individual suppliers. We test this directly using earnings call transcripts. Second, because the mechanism operates by reducing the perceived value of maintaining a relationship, it should be weaker where relationships are easily replaceable (and thus the fixed cost of establishing or maintaining a relationship is close to zero). We test this prediction by examining the role of product

[20]This interpretation is consistent with existing evidence, primarily from the domestic U.S. context, that political alignment with the president is a powerful predictor of households' views of the economy (e.g., Gerber and Huber, 2009; Mian, Sufi, and Khoshkhou, 2023), as well as those of professionals in high-stakes environments, such as credit analysts (Kempf and Tsoutsoura, 2021), loan officers (Dagostino, Gao, and Ma, 2023), and professional asset managers (Cassidy and Vorsatz, 2024). Related, in a cross-border setting, Kempf, Luo, Schäfer, and Tsoutsoura (2023) show that ideological alignment with foreign governments influences banks' GDP growth forecasts, suggesting that political alignment can shape beliefs about foreign macroeconomic conditions as well.

heterogeneity.

## 7.1 Subjective Beliefs: Evidence from Earnings Calls

To provide evidence on the subjective-beliefs channel from earnings calls, we proceed in two steps. We first show that increases in ideological distance are associated with more negative and more risk-related discussion of the foreign country overall. We then use topic-specific text classifications to identify which aspect of the foreign country drives this shift.

We begin with the firm-country-quarter-level sentiment and risk measures from Hassan, Schreger, Schwedeler, and Tahoun (2024) (HSST), which are constructed from earnings call transcripts. For each firm-country pair, HSST measure how positively or negatively managers discuss a country and how much discussion of that country is associated with risk or uncertainty. We average these measures within firm-half-years and re-estimate our baseline difference-in-differences specification at the firm $\times$ election $\times$ half-year level. Because the country sentiment variable can take negative values and the country risk measure can be zero, we use the inverse hyperbolic sine transformation of average country sentiment and country risk as dependent variables. Panel C of Table 1 reports summary statistics for the underlying untransformed sentiment and risk measures.

Table 7, Panel A presents the results. Column (1) shows that firms experiencing an increase in ideological distance tend to express more negative country sentiment following the election, with the effect being statistically significant at the 10% level. In column (2), we find a more precisely estimated effect on perceived country risk: firms whose CEO experiences an increase in ideological distance discuss significantly more risk related to the foreign country relative to firms whose CEO experiences a decrease in distance. These results provide evidence that ideological distance affects how executives talk about foreign countries: they become more negative on average and attach more risk to those countries.

A limitation of the HSST measures for our purposes is that they are not topic-specific and thus cannot reveal which dimension of the foreign environment executives are discussing, such as political, macroeconomic, or firm-specific conditions. We therefore construct our own topic-specific measures of sentiment and uncertainty using earnings call transcripts from the StreetEvents database. For each firm and earnings call, we isolate the sentences in which executives mention a foreign country and feed a short window around each mention to a large language model (LLM). The LLM classifies whether the discussion is about the country's macroeconomic environment, its political or policy environment, firm- or industry-specific conditions, or other topics, and separately codes the tone of the statement (negative, neutral, or positive) and whether it expresses uncertainty (yes or no).

Our LLM approach is described in more detail in Internet Appendix Section IA.D. In-

ternet Appendix Table IA.16 provides summary statistics. Firms mention a given foreign country in roughly one out of six firm-country-half-years, after restricting the sample to firm-country pairs with at least one country mention during the sample period.[21] Conditional on mentioning a foreign country, executives discuss company- or industry-specific factors in 91% of observations, the country's macroeconomy in 33% of observations, and the other two topic groups, politics/policy and other, in about 21–22% of observations each. These shares do not sum to 100% because a given country mention can be associated with more than one topic. Executives are generally less likely to express uncertainty or negative sentiment about company- or industry-specific conditions than about more aggregate conditions.

Panel B of Table 7 examines changes in the propensity to mention the foreign country in an earnings call, as well as the propensity to discuss a given topic conditional on mentioning the country, around elections. We find a somewhat lower propensity to mention the foreign country for distance-increase firms (column (1)), but no significant differences in which topics are discussed conditional on a mention (columns (2) to (5)).

We next examine changes in uncertainty and sentiment specific to each topic. To do so, we first restrict the analysis to single-topic sentences to avoid contamination, and then compute the average sentiment and uncertainty score across all sentences related to a given topic within a given firm $\times$ country $\times$ half-year cell. Table 7, Panel C repeats the difference-in-differences analysis using topic-specific sentiment scores as the dependent variable. We find a statistically significant decline of 0.034 points in the sentiment score for the foreign macroeconomy when the CEO experiences an increase in ideological distance relative to a CEO who experiences a distance decrease. There are no statistically significant changes in sentiment for any of the other topic categories.

In Panel D, we study topic-specific uncertainty and find a very similar pattern: a statistically significant increase in uncertainty related to the macroeconomy, with no significant changes in uncertainty for the other topic categories. The increase in macroeconomic uncertainty is economically large: the increase of 0.032 in the uncertainty score represents an increase of 36% relative to the unconditional mean.

To provide some examples illustrating the documented relationship between CEOs' ideological alignment and their perception of the macroeconomy, below we present paraphrased excerpts from conference calls held around the 2015 Canadian federal election,

[21] We observe fewer earnings calls with foreign-country mentions than Hassan, Schreger, Schwedeler, and Tahoun (2024). A likely reason is that we identify foreign-country mentions using the Python package *pycountry*, which primarily captures explicit country names. By contrast, HSST use a much richer country-classification procedure that also maps demonyms, cities, regions, and country-specific institutions into country mentions. Another difference is that our analysis restricts attention to statements made by company executives, whereas HSST do not impose this restriction.

which brought Justin Trudeau's left-leaning Liberal Party to power. The excerpts are paraphrased by Opus 4.8 to preserve anonymity of CEOs' voter status. Consistent with the patterns we document, Democratic CEOs, who experienced a decrease in ideological distance to the new government, expressed greater optimism about the Canadian economy:

> "For Canada, there are meaningful indications of a shift toward healthier conditions, with the economy posting positive GDP growth in the third quarter." (Democratic CEO, December 2015)

In contrast, Republican CEOs, who experienced an increase in ideological distance, conveyed a more pessimistic view:

> "Canadian GDP growth has clearly been a bit weaker than the US, and Canada dipped into recession this summer." (Republican CEO, December 2015)

The earnings call analysis thus allows us to sharpen the interpretation of the mechanism. The HSST measures show that ideological distance leads executives to discuss the foreign country in more negative and more risk-related terms overall. The topic-specific LLM evidence reveals that this shift is concentrated in discussion of the foreign macroeconomy, with little change in firm- or industry-specific discussion. This pattern is most consistent with a subjective-beliefs channel in which ideological distance alters executives' perceptions of foreign macroeconomic conditions and thereby affects sourcing decisions.

An alternative interpretation is that ideology operates through CEOs' preferences rather than their beliefs: CEOs may derive nonpecuniary disutility from trading with countries whose governments they oppose and be willing to forego profits to disengage, independent of any changes in their assessment of the country's economic conditions. Revealed-preference data alone cannot separate the two channels, since both predict that distance-increase firms reduce sourcing from the election country. The earnings call evidence points toward beliefs: a pure preference channel gives no reason for CEOs to discuss the macroeconomy in more uncertain terms, as they do; a CEO who merely dislikes a government can hold rational views of its economy while choosing to disengage. Still, the two channels can be difficult to distinguish if one makes the additional assumption that CEOs rationalize preference-driven decisions to investors in terms of the macroeconomic outlook. We therefore turn to product heterogeneity, which offers additional testable predictions that help us further distinguish between preference versus belief mechanisms.

## 7.2 Product Heterogeneity

Having shown that ideological distance shapes how CEOs assess foreign countries, we now ask which types of products drive the trade response. Our framework posits that the mech-

anism operates by reducing the perceived benefit of establishing or maintaining a supplier relationship, so it should be stronger where sourcing is discretionary and relationship-based, and weaker where products are standardized and sourced primarily on price.

We begin by distinguishing commodities from non-commodities. Commodity markets are generally characterized by standardized products and transparent global pricing, so sourcing is largely determined by price and availability and leaves little room for managerial discretion. Non-commodity trade, by contrast, involves differentiated, relationship-based products whose sourcing is more discretionary, giving CEO beliefs greater scope to shape supplier choice. Following Gopinath, Boz, Casas, Díez, Gourinchas, and Plagborg-Møller (2020), we classify HS2 categories 1–27 and 72–83 as commodities and the remaining categories as non-commodities, and report the results in column (1), Panel A of Internet Appendix Table IA.14. The differential trade response is concentrated among non-commodity products, where the effect is large and statistically significant, consistent with CEO ideology mattering most where managers exercise discretion over sourcing.

This result also speaks to an alternative mechanism based on exchange-rate expectations, which would work against the negative relationship between ideological distance and sourcing activity that we document. If a CEO who becomes more pessimistic about a politically misaligned country also anticipates currency depreciation there, the firm could have an incentive to increase imports from that country to exploit cheaper prices. The exchange-rate channel is unlikely to account for the non-commodity effect, since most non-commodity trade is invoiced in dominant currencies and therefore insensitive to bilateral exchange-rate movements (Gopinath, Boz, Casas, Díez, Gourinchas, and Plagborg-Møller, 2020). To the extent the exchange-rate channel operates at all, it would do so in commodity trade and in the opposite direction, which is consistent with the weaker effect we find for commodities.

While both a preference and a belief mechanism are consistent with the commodities versus non-commodities split, the belief channel makes an additional prediction for how the effect should vary within non-commodities, depending on how sensitive the product's exports are to the sourcing country's macroeconomic conditions. If distance-increase CEOs become more pessimistic and more uncertain about a foreign country's economic outlook, the effect should be stronger for products whose exports are more exposed to that country's economic conditions and therefore more likely to be disrupted in a downturn. To measure this exposure, we use bilateral trade flows from the CEPII BACI data to estimate a product-specific "macroeconomic beta." For each product, we regress the growth rate of a country's dollar value of exports of that product to the United States on the country's contemporaneous GDP growth, pooling across sourcing countries and years over the

2007–2023 period. The coefficient on GDP growth is the product's macroeconomic beta, measuring how sensitive a country's exports of the product are to the country's economic conditions. We then sort products by their beta within each election and classify them as high-beta if their beta is above the top quartile, and low-beta otherwise. Column (2) of Internet Appendix Table IA.14, Panel A reports the results. The effect is concentrated among high-beta non-commodities, where it is statistically significant, and is smaller and insignificant for low-beta products. This is consistent with our mechanism: if greater ideological distance leads CEOs to assess a foreign country's macroeconomy more negatively and with greater uncertainty, those beliefs should matter most for products whose exports are most closely tied to the country's economic conditions. We corroborate this pattern using an external classification of products by durability. Durable goods are among the most cyclically sensitive categories of traded goods: durable-goods trade flows are substantially more volatile than output and strongly procyclical, comoving with the domestic business cycle (Engel and Wang, 2011). If our mechanism operates through beliefs about the foreign macroeconomy, the effect should therefore also concentrate in durable goods. Column (3) of Panel A, Internet Appendix Table IA.14 confirms that it does: the differential trade response is significantly larger for durable non-commodities. Because durability is a standard, externally validated proxy for the cyclical sensitivity of trade, this result reinforces the interpretation from the macroeconomic-beta split without relying on our own estimated measure, and points to the same conclusion—that CEO ideology affects sourcing most where exports are most exposed to the foreign country's macroeconomic conditions.

## 7.3 Alternative Explanations

The evidence so far points to a subjective-beliefs channel: ideological distance shifts CEOs' assessments of the foreign macroeconomy, and the trade response is concentrated where those assessments matter most. We now consider the main alternative explanations for our findings and why we view them as less likely.

A first-order concern is that the response reflects differential economic exposure to the election rather than CEO ideology: if Democratic- and Republican-led firms sort into different products, industries, or foreign suppliers, they may be differentially affected by the election outcome for reasons unrelated to their CEOs' beliefs. We addressed this concern in Section 5.2. Defining products at the HS6 rather than HS2 code level, and further interacting election-product-time fixed effects with the importing firm's industry or headquarters state leaves the estimate unchanged or larger, indicating that differential exposure across products, industries, or geographies does not drive the result. Our within-supplier analysis further mitigates concerns about U.S. firms' being differentially affected by the election

outcome. Finally, if U.S. firms were differentially affected by the election outcome, we would expect differences to show up also in their discussion of firm- and industry-specific conditions in the foreign country, not just in discussions of the macroeconomy; yet we find that differences show up exclusively in the macroeconomic context.

Another potential alternative explanation is that the foreign trade partners may discriminate against U.S. firms led by CEOs whose political ideology is misaligned with their new government. This mechanism would predict stronger effects among U.S. firms with more visible CEOs, as it requires foreign trade partners to observe the CEO's political leaning. To test this alternative hypothesis, we construct a proxy for CEO prominence based on the CEO's inclusion in the Notable Names Database, following Wintoki and Xi (2020).[22] This online database compiles publicly available biographical and political information on prominent individuals. We manually search CEO names and define a visibility indicator equal to one if the CEO is listed in the database, and zero otherwise. Using this proxy, we identify 222 prominent CEOs in our dataset.

We then augment our baseline specification in equation (2) by interacting the independent variables with each proxy for CEO visibility. The results, reported in Internet Appendix Table IA.15, reveal no evidence that the effects differ in a meaningful way between highly visible and less visible CEOs. This finding makes it unlikely that foreign trade partners discriminate based on U.S. CEOs' political ideology.

Another plausible interpretation is that CEO ideology plays no independent role, and that our results instead reflect firms' connections to the U.S. administration. Under this interpretation, when a foreign election shifts the ideological distance between the U.S. government and the foreign government, Washington's own relationship with that country changes, and firms connected to the sitting president (as proxied by their CEO's shared party affiliation) see their trade with that country facilitated or impeded accordingly (Ayyagari, Gao, and Ma, 2025). What drives trade is then government-to-government relations mediated by political connections, not CEOs' own beliefs or preferences. Within a single foreign election, this channel cannot be separated from ours, because the president's party is common to all firms, so a CEO's connection to the president coincides with the CEO's party. The two channels diverge, however, in how the effect should vary across elections, depending on which group is aligned with the president. If the effect operates through connections to the administration, it should be concentrated in the group that shares the president's party. We test this prediction by using the sample that includes unaffiliated executives and interacting both *Distance Increase* $\times$ *Post* and *Distance Decrease* $\times$ *Post* with an indicator for elections in which the distance-increase group shares the president's

[22] See `http://www.nndb.com`.

party. As reported in column (3) of Internet Appendix Table IA.7, neither interaction is statistically significant. In particular, the interaction with *Distance Decrease* × *Post*, which represents the group that drives our baseline effect, is essentially zero (0.001). In other words, the distance-decrease group expands its importing relative to unaffiliated CEOs to the same degree whether or not it is aligned with the U.S. president. The point estimate for the distance-increase group is, if anything, of the opposite sign to what a connection channel would predict. We thus find no evidence that the response depends on presidential alignment.

Finally, the observed import response may, at least in part, reflect changes in consumer demand rather than CEOs' ideology. If consumers themselves adjust their purchases of goods from a foreign country when its government becomes ideologically distant, so that firms import less simply because their customers demand fewer such goods, the response would reflect consumer politics operating through the firm rather than the CEO's own ideology. To test this mechanism, we examine the import responses of final and intermediate goods. The intuition is that demand for final goods is more directly tied to consumers' purchasing decisions, whereas imports of intermediate goods are primarily driven by firms' production needs. If our results were mainly capturing shifts in consumer demand following political changes, we would expect the effect to be substantially stronger for final goods than for intermediate goods.

We test this prediction in Panel B of Internet Appendix Table IA.14 by interacting our main explanatory variable with measures of whether a product category is classified as a final good or not. Following Alfaro, Chor, Antras, and Conconi (2019), we use the United Nations BEC classification to distinguish between final and intermediate goods and first classify goods at the HS6 level. Column (1) uses, for each HS2 category, the share of constituent HS6 products classified as final goods. Column (2) uses a dummy variable, defining an HS2 category as a final good if more than 50% of its constituent HS6 products are classified as final goods. Across both specifications, we find no statistically significant differences between final and intermediate goods, suggesting that the import response is not just driven by consumer demand.

# 8 Conclusion

Rising geopolitical tensions have disrupted economic relationships between nations. While an extensive literature examines government-imposed trade barriers such as tariffs, sanctions, and industrial policies, less is known about whether the political ideology of the people who run firms shapes cross-border trade, independent of formal policy. This paper

provides evidence that it does.

Combining transaction-level maritime trade data from S&P Global's Panjiva with the political affiliations of U.S. CEOs, and exploiting changes in ideological alignment between CEOs and foreign governments around national elections, we show that U.S. firms reduce imports from countries whose governments become more ideologically distant from their CEOs, relative to firms whose CEOs become more aligned. The response operates on the extensive margin: firms start and stop sourcing relationships rather than adjusting quantities within them. It is not explained by differential economic exposure across firms, and it holds when comparing firms that import the same product from the same foreign supplier around the same election. Firms do not reduce their total imports but reallocate sourcing toward other origin countries that are, on average, ideologically closer to the CEO and have higher unit values, indicating that firms forgo lower-cost sources to reduce exposure to politically misaligned countries.

Evidence from earnings-call transcripts indicates that these trade responses operate through CEOs' beliefs about foreign countries. Using both the country-level sentiment and risk measures of Hassan, Schreger, Schwedeler, and Tahoun (2024) and our own LLM-based classification of country mentions, we show that an increase in ideological distance is associated with executives describing the foreign country in more negative and more uncertain terms, and that this shift is concentrated in discussion of the country's macroeconomy rather than of firm- or industry-specific conditions. Consistent with this channel, the trade response is concentrated in non-commodity goods and, among these, in products whose exports are most sensitive to the foreign country's macroeconomy and therefore precisely where a deterioration in perceived macroeconomic conditions should matter most for sourcing.

Taken together, our findings show that the political ideology of corporate leaders can meaningfully shape international trade. What makes this result particularly noteworthy is that the countries we study are, for the most part, not geopolitical adversaries but democratic trading partners of the U.S., a group that together accounted for approximately 67% of U.S. foreign trade during our sample period. Moreover, the effect arises from routine political elections rather than from discrete formal policy changes or geopolitical conflict. As political polarization deepens among corporate leaders, our results suggest that firms may narrow the breadth of their global supply chains on their own, independently of tariffs or sanctions that governments may impose, raising the possibility that the fragmentation of world trade is driven in part by the beliefs of the individuals who direct it.

Our findings open several directions for future work. First, if CEO ideology shapes sourcing through beliefs about foreign countries, the same mechanism plausibly extends to

other cross-border decisions in which managerial assessments of a country's prospects are central, such as where to establish a foreign subsidiary, undertake a cross-border acquisition, or locate production. Studying whether ideological distance shapes these longer-horizon commitments, which arguably involve even higher fixed costs than establishing or maintaining sourcing relationships, would help gauge the broader scope of the mechanism we document. Second, we quantify one cost of ideologically driven reallocation for the sourcing firm—a shift toward higher-cost origins—but the larger economic consequences may fall on the foreign trade partners themselves. Unlike the U.S. firms in our sample, these suppliers do not choose to be dropped. Hence, while the U.S. firms in our sample can optimize over which relationships to sever and drop those they value least, a relationship that is marginal to the U.S. buyer may be a major one for the supplier on the other side, so the same reallocation that is inexpensive for the U.S. firm can impose a substantial cost on its foreign trade partners. Measuring these spillovers to foreign firms is an important step toward assessing the full welfare consequences of politically driven trade. Finally, and more speculatively, these spillovers raise the possibility of a feedback loop. If U.S. firms collectively withdraw from countries whose governments are ideologically distant from them, they may dampen economic activity in those countries; and because economic conditions influence election outcomes (Lewis-Beck and Stegmaier, 2000), the aggregated ideological preferences of U.S. corporate leaders could, in principle, feed back into the very elections that generate the ideological realignments we study. Whether such effects are large enough to matter is an open question, but it points to a channel through which the politics of corporate leaders in one country may influence economic and political developments in another.

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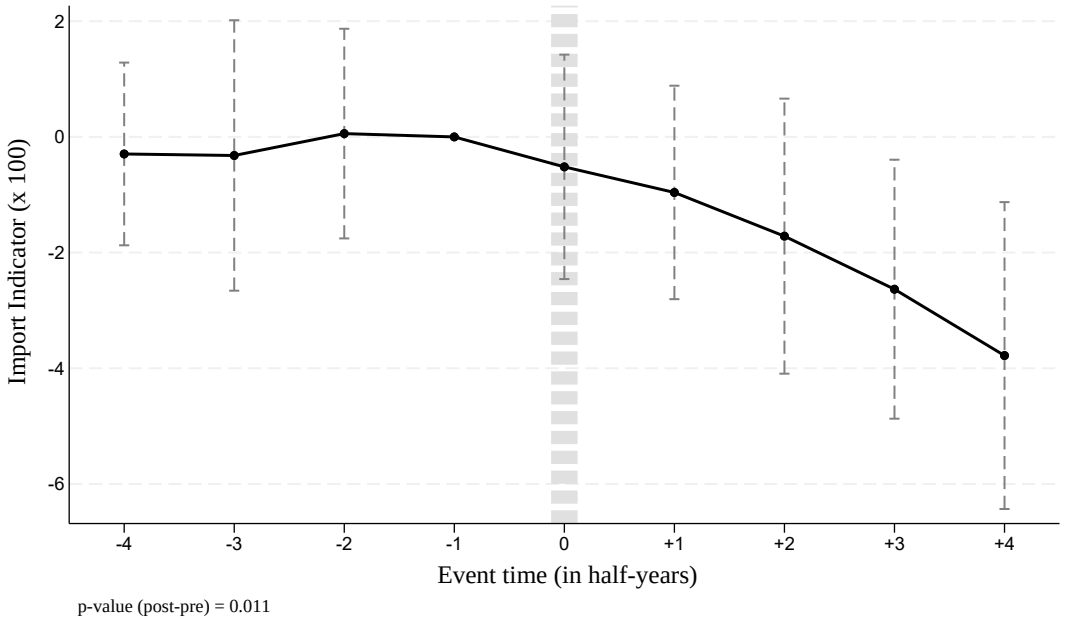


Figure 1: **CEO Ideological Distance and Foreign Trade**

The figure plots estimates of the difference between the distance-increase and distance-decrease groups in the probability of importing from a given foreign country around an election, measured in percentage points. Specifically, it reports the coefficients $\beta_\tau$ from equation (3). The dependent variable is an indicator equal to one if the firm imports at least one shipment from the foreign country in a given product category and half-year, and zero otherwise, multiplied by 100. Election $\times$ product $\times$ half-year and firm $\times$ election $\times$ product fixed effects are included. The corresponding 95% confidence intervals are based on standard errors clustered at the CEO party $\times$ election level.

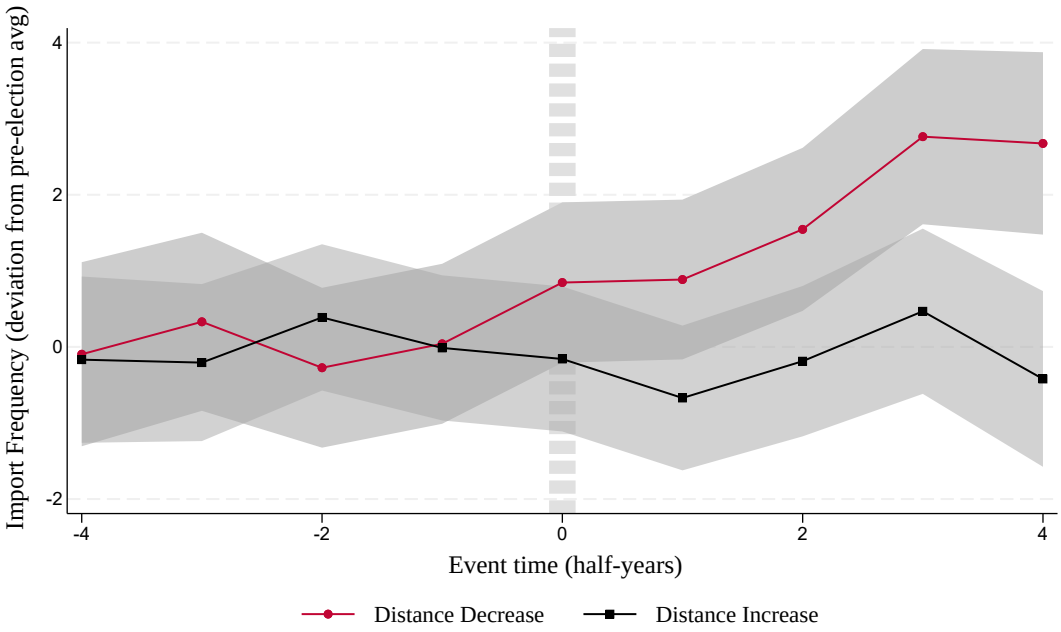


Figure 2: **Aggregate Effects**

The figure plots the average share of active firm-product-country import links for the distance-increase and distance-decrease groups after subtracting each group's respective pre-election average, multiplied by 100. The corresponding 95% confidence intervals are based on the standard error of the mean within each event-time × distance-change-group level.

Table 1: **Summary Statistics**

The table reports summary statistics for the variables used in our main tests. In Panel A, the unit of observation is a U.S. firm × foreign election × HS2 product category × half-year. Import quantities (shipments, volume, weight) and estimated dollar value are shown conditional on a firm importing the product from that country during the half-year. In Panel B, the unit of observation is a U.S. firm × foreign election × HS6 product category × half-year. The panel reports summary statistics for two sourcing cost indices, with the unit price fixed either at their pre-election average or at their level one year prior to the election. Panel C reports the average country risk and sentiment as provided by Hassan, Schreger, Schwedeler, and Tahoun (2024) and the unit of observation is a firm × foreign election × half-year. All variables are defined in Appendix A.1.

| | Count | Mean | SD | P25 | Median | P75 |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| ***Panel A: Firm × Election × HS2 Product × Half-year*** | | | | | | |
| Import Indicator (× 100) | 227,371 | 39.04 | 48.78 | 0.00 | 0.00 | 100.00 |
| Distance Increase | 227,371 | 0.55 | 0.50 | 0.00 | 1.00 | 1.00 |
| Shipments | 88,765 | 10.85 | 52.27 | 1.00 | 2.00 | 6.00 |
| Volume (TEU) | 83,592 | 25.31 | 193.92 | 0.50 | 2.00 | 8.00 |
| Weight (Tons) | 88,670 | 5,128.29 | 88,702.91 | 2.44 | 14.46 | 75.38 |
| Value ($K) | 88,758 | 7,806.10 | 94,972.56 | 21.50 | 109.20 | 596.00 |
| ***Panel B: Firm × Election × HS6 Product × Half-year*** | | | | | | |
| Sourcing Cost Index ($K/ton, pre-election) | 733,645 | 22.96 | 41.53 | 4.87 | 11.23 | 23.83 |
| Sourcing Cost Index ($K/ton, 1-year lag) | 727,421 | 22.60 | 40.81 | 4.78 | 10.91 | 23.78 |
| ***Panel C: Firm × Election × Half-year*** | | | | | | |
| Country Risk | 72,818 | 135.64 | 319.37 | 39.04 | 85.54 | 159.68 |
| Country Sentiment | 72,818 | 1,598.93 | 2,997.69 | 704.84 | 1,381.77 | 2,122.10 |

Table 2: **CEO Ideological Distance and Foreign Trade**

The table reports differences in foreign import activity by U.S. firms whose CEO experiences an increase versus decrease in ideological distance around foreign elections. The dependent variable is an import indicator multiplied by 100 for ease of interpretation. The unit of observation is a U.S. firm × foreign election × HS2 product × half-year. *Distance Increase* is an indicator equal to one if the ideological distance between the CEO of the U.S. firm and the winning party in the foreign country increases after the election, and zero otherwise. *Post* is an indicator equal to one if half-year $t$ falls in the post-election period ($\tau = 0$ to $\tau = +4$), and zero if it falls in the pre-election period ($\tau = -4$ to $\tau = -1$). The economic effect is calculated as the reported coefficient divided by the mean of the dependent variable in the estimation sample. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

| Dependent Variable: | Import Indicator | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Distance Increase × Post | -1.923*** | -1.974*** | -1.617*** |
| | (-2.90) | (-3.28) | (-2.63) |
| Distance Increase | 1.464** | | |
| | (2.23) | | |
| Economic Effect % | -4.82 | -4.97 | -4.14 |
| Election × Time FE | Yes | Yes | No |
| Firm × Election FE | No | Yes | No |
| Election × Product × Time FE | No | No | Yes |
| Firm × Product × Election FE | No | No | Yes |
| $R^2$ | 0.017 | 0.161 | 0.443 |
| N | 236,529 | 235,898 | 227,371 |

Table 3: **CEO Ideological Distance and Imported Quantities**

The table reports differences in imported quantities and value between U.S. firms whose CEO experiences an increase versus decrease in ideological distance around a foreign election. For each firm-product-election, we aggregate imports from the election country over the pre- and post-election periods; the unit of observation is thus a U.S. firm × foreign election × product category. The dependent variables are midpoint growth rates, as defined in equation (4), of the number of shipments (column (1)), volume in twenty-foot equivalent units (TEU) (column (2)), cargo weight in metric tons (column (3)), and Panjiva's estimated dollar value of goods (column (4)), respectively. Panel A reports results for the total growth rate. Panels B and C decompose the growth rate into three mutually exclusive components: the entry margin (column (1) of Panel B), the exit margin (columns (2) to (4) of Panel B), and the intensive margin (Panel C). In Panel B, we further decompose the exit margin into exits from countries with a low versus high import share among the firm's total imports in that product category (columns (3) and (4)). For each firm-product-election, we first calculate the country's import share as the imported cargo weight of the product sourced from the election country divided by the firm's total imported cargo weight of the product, aggregated over all periods up until the election. We then sort firm-product links by this share within each election and classify links with import shares in the top quartile (in column (4)) as high import share and all others as low import share (in column (3)). *Distance Increase* is an indicator equal to one if the ideological distance between the CEO of the U.S. firm and the winning party in the foreign country increases after the election, and zero otherwise. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

***Panel A: Total Growth in Election-Country Imports***

| Dependent Variable: | Midpoint Growth Rate | | | |
|---|---|---|---|---|
| | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) |
| Distance Increase | -0.086*** | -0.065* | -0.068* | -0.063* |
| | (-2.71) | (-1.93) | (-1.94) | (-1.86) |
| Election × Product FE | Yes | Yes | Yes | Yes |
| $R^2$ | 0.131 | 0.127 | 0.128 | 0.126 |
| N | 33,566 | 33,566 | 33,566 | 33,566 |

***Panel B: Contribution of Entry and Exit Margins***

| Dependent Variable: | Contribution to Total Growth Rate (Entry and Exit Margin) | | | |
|---|---|---|---|---|
| | Entry Only | Exit Only | | |
| | | Total | Low Import Share | High Import Share |
| | (1) | (2) | (3) | (4) |
| Distance Increase | -0.042** | -0.030* | -0.024* | -0.006 |
| | (-2.12) | (-1.95) | (-1.67) | (-0.61) |
| Election × Product FE | Yes | Yes | Yes | Yes |
| $R^2$ | 0.122 | 0.121 | 0.108 | 0.144 |
| N | 33,566 | 33,566 | 33,566 | 33,566 |

***Panel C: Contribution of Intensive Margin***

| Dependent Variable: | Contribution to Total Growth Rate (Intensive Margin Only) | | | |
|---|---|---|---|---|
| | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) |
| Distance Increase | -0.014 | 0.007 | 0.004 | 0.009 |
| | (-1.42) | (0.66) | (0.40) | (0.88) |
| Election × Product FE | Yes | Yes | Yes | Yes |
| $R^2$ | 0.087 | 0.074 | 0.075 | 0.074 |
| N | 33,566 | 33,566 | 33,566 | 33,566 |

Table 4: **CEO Ideological Distance and Foreign Trade: Within-Supplier Test**

The table repeats the analysis in Table 2 at the supplier level, with the unit of observation being a U.S. firm × election × HS2 product × supplier × half-year. The dependent variable is an indicator equal to one if the U.S. firm imports at least one shipment from a given supplier in a given product category and half-year, and zero otherwise, multiplied by 100. The economic effect is calculated as the reported coefficient divided by the mean of the dependent variable in the estimation sample. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Distance Increase × Post | -0.043*** | -0.033*** | -0.033*** |
| | (-4.83) | (-3.92) | (-3.92) |
| Economic Effect % | -11.11 | -8.61 | -8.76 |
| Election × Product × Supplier × Time FE | Yes | Yes | Yes |
| Firm × Election × Product FE | No | Yes | No |
| Firm × Supplier × Election × Product FE | No | No | Yes |
| $R^2$ | 0.069 | 0.092 | 0.464 |
| N | 22,383,022 | 22,382,993 | 22,233,086 |

Table 5: **CEO Ideological Distance and Supply Chain Reconfiguration**

The table examines changes in the number of distinct sourcing countries and total imports between U.S. firms whose CEO experiences an increase versus a decrease in ideological distance around a foreign election. At the firm-product-election level, we compute (i) the number of distinct sourcing countries from which a firm imports a given product in the pre- and post-election periods, and (ii) the firm's total imports of that product over the same intervals. The unit of observation is thus a U.S. firm × foreign election × HS2 product. Our dependent variables are midpoint growth rates, as defined in equation (4), of the number of distinct sourcing countries (column (1)), the number of shipments (column (2)), volume in TEU (column (3)), cargo weight in metric tons (column (4)), and Panjiva's estimated dollar value of goods (column (5)), respectively, all aggregated over all sourcing countries within a given firm, product, and half-year. Panels B, C, and D report the growth contribution of the election country as well as from "close" and "distant" non-election countries, respectively. A non-election country is defined as close if the ideological distance between the CEO and the ruling party in the non-election country, measured one year prior to the election, is smaller than the ideological distance between the CEO and the winning party in the election country. All remaining non-election countries are classified as distant countries. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

***Panel A: Total Imports***

| Dependent Variable: | Midpoint Growth Rate | | | | |
|---|---|---|---|---|---|
| | Countries | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) | (5) |
| Distance Increase | -0.025 | -0.014 | -0.008 | -0.009 | -0.021 |
| | (-1.31) | (-0.55) | (-0.31) | (-0.36) | (-0.89) |
| Election × Product FE | Yes | Yes | Yes | Yes | Yes |
| $R^2$ | 0.168 | 0.199 | 0.177 | 0.175 | 0.170 |
| N | 36,920 | 36,920 | 36,920 | 36,920 | 36,920 |

***Panel B: Contribution of Election Country***

| Dependent Variable: | Contribution to Total Growth Rate | | | | |
|---|---|---|---|---|---|
| | Countries | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) | (5) |
| Distance Increase | -0.031** | -0.032*** | -0.020 | -0.024* | -0.026* |
| | (-2.33) | (-2.74) | (-1.57) | (-1.75) | (-1.70) |
| Election × Product FE | Yes | Yes | Yes | Yes | Yes |
| $R^2$ | 0.132 | 0.134 | 0.130 | 0.129 | 0.126 |
| N | 36,920 | 36,920 | 36,920 | 36,920 | 36,920 |

***Panel C: Contribution of Ideologically Close Countries***

| Dependent Variable: | Contribution to Total Growth Rate | | | | |
|---|---|---|---|---|---|
| | Countries | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) | (5) |
| Distance Increase | 0.018** | 0.027** | 0.018* | 0.017 | 0.022* |
| | (2.43) | (2.59) | (1.68) | (1.52) | (1.76) |
| Election × Product FE | Yes | Yes | Yes | Yes | Yes |
| $R^2$ | 0.125 | 0.136 | 0.121 | 0.113 | 0.112 |
| N | 36,920 | 36,920 | 36,920 | 36,920 | 36,920 |

***Panel D: Contribution of Ideologically Distant Countries***

| Dependent Variable: | Contribution to Total Growth Rate | | | | |
|---|---|---|---|---|---|
| | Countries | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) | (5) |
| Distance Increase | -0.013 | -0.009 | -0.006 | -0.001 | -0.017 |
| | (-1.35) | (-0.56) | (-0.36) | (-0.08) | (-1.19) |
| Election × Product FE | Yes | Yes | Yes | Yes | Yes |
| $R^2$ | 0.155 | 0.181 | 0.153 | 0.151 | 0.146 |
| N | 36,920 | 36,920 | 36,920 | 36,920 | 36,920 |

Table 6: **CEO Ideological Distance and Sourcing Cost Index**

The table examines changes in firms' sourcing cost index around foreign elections. The sourcing cost index is constructed at the firm-HS6 product level as a weighted average of unit prices (in thousands of U.S. dollars per metric ton), where unit prices are held fixed and the weights vary over time. Weights are proportional to the imported cargo weight (in metric tons) from each sourcing country within a given firm-HS6 product and half-year. Column (1) fixes prices at their average value during the pre-election period for each product-election pair, and column (2) fixes prices at their level one year prior to the election. Both columns use the logarithm of the sourcing cost index as the dependent variable. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the firm × HS6 product and CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Base Price | Average Pre-Election | 1-Year Prior to Election |
|---|---|---|
| Dependent Variable: | Log(Sourcing Cost Index) | |
| | (1) | (2) |
| Distance Increase × Post | 0.007** | 0.006** |
| | (2.20) | (2.30) |
| Election × Product × Time FE | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes |
| $R^2$ | 0.963 | 0.959 |
| N | 733,645 | 727,421 |

Table 7: **CEO Ideological Distance and Foreign Country Perception**

The table examines changes in U.S. firms' perceived country sentiment and risk as a function of whether their CEO experiences an increase versus decrease in ideological distance around the foreign election. The unit of observation is a U.S. firm × foreign election × half-year. In Panel A, the dependent variable is the inverse hyperbolic sine (IHS) transformation of the country sentiment measure (column (1)) and the country risk measure (column (2)) constructed by Hassan, Schreger, Schwedeler, and Tahoun (2024) based on firms' earnings calls. In Panel B, column (1), the dependent variable is an indicator equal to one if the firm's executives explicitly mention the foreign country in an earnings call during a given half-year, and zero otherwise. In columns (2) to (5), the dependent variable equals one if the executives discuss a certain topic in connection with the foreign country, and zero otherwise. In Panels C and D, we use topic-specific sentiment and uncertainty scores as the dependent variables, respectively. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

***Panel A: Foreign Country Sentiment and Risk (HSST Measure)***

| | IHS(Country Sentiment) | IHS(Country Risk) |
|---|---|---|
| | (1) | (2) |
| Distance Increase × Post | -0.264* | 0.065** |
| | (-1.94) | (2.59) |
| Election × Time FE | Yes | Yes |
| Firm × Election FE | Yes | Yes |
| $R^2$ | 0.413 | 0.473 |
| N | 72,818 | 72,818 |

***Panel B: Frequency of Foreign Country and Topic Mentions (LLM Classification)***

| Dependent Variable: Mention of | | Conditional on Foreign Country Mention | | | |
|---|---|---|---|---|---|
| | Foreign Country | Company/ Industry | Macro-economy | Politics/ Policy | Other |
| | (1) | (2) | (3) | (4) | (5) |
| Distance Increase × Post | -0.013** | -0.003 | 0.022 | 0.023 | 0.033 |
| | (-2.50) | (-0.20) | (0.84) | (1.13) | (1.28) |
| Election × Time FE | Yes | Yes | Yes | Yes | Yes |
| Firm × Election FE | Yes | Yes | Yes | Yes | Yes |
| $R^2$ | 0.616 | 0.431 | 0.502 | 0.446 | 0.413 |
| N | 82,887 | 12,552 | 12,552 | 12,552 | 12,552 |

***Panel C: Sentiment by Topic (LLM Classification)***

| Dependent Variable: Sentiment of | Company/ Industry | Macro-economy | Politics/ Policy | Other |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Distance Increase × Post | 0.001 | -0.034** | -0.015 | 0.004 |
| | (0.03) | (-2.19) | (-1.47) | (0.33) |
| Election × Time FE | Yes | Yes | Yes | Yes |
| Firm × Election FE | Yes | Yes | Yes | Yes |
| $R^2$ | 0.427 | 0.321 | 0.293 | 0.248 |
| N | 12,552 | 12,552 | 12,552 | 12,552 |

***Panel D: Uncertainty by Topic (LLM Classification)***

| Dependent Variable: Uncertainty of | Company/ Industry | Macro-economy | Politics/ Policy | Other |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Distance Increase × Post | 0.002 | 0.032*** | -0.001 | 0.007 |
| | (0.20) | (2.93) | (-0.09) | (0.57) |
| Election × Time FE | Yes | Yes | Yes | Yes |
| Firm × Election FE | Yes | Yes | Yes | Yes |
| $R^2$ | 0.333 | 0.322 | 0.316 | 0.278 |
| N | 12,552 | 12,552 | 12,552 | 12,552 |

# A Appendix

## A.1 Variable Definitions

| Variable | Description |
|---|---|
| ***Dependent variables:*** | |
| Import Indicator | Indicator equal to one if the U.S. firm imports from a given foreign country in a given product category and half-year, and zero otherwise. Multiplied by 100 for ease of interpretation. |
| Shipments | The total number of shipments recorded in Panjiva for a given firm, country, product category, and time period. |
| Volume (TEU) | The total number of twenty-foot equivalent units (TEUs) imported by a given U.S. firm from a given foreign country in a given product category and time period. |
| Weight | The total weight in tons imported by a given U.S. firm from a given foreign country in a given product category and time period. |
| Value | The estimated U.S. dollar value of goods (in thousands) by a given U.S. firm from a given foreign country in a given product category and time period. |
| Midpoint Growth Rate | Midpoint growth rate of total imports, computed as in equation (4). Imports are measured as the number of shipments, volume in twenty-foot equivalent units (TEU), cargo weight in metric tons, and Panjiva's estimated dollar value of goods, respectively. |
| Country Sentiment | Average country sentiment from Hassan, Schreger, Schwedeler, and Tahoun (2024) at the firm-country-half-year level, based on the tone of earnings-call discussion of a foreign country. |
| Country Risk | Average country risk from Hassan, Schreger, Schwedeler, and Tahoun (2024) at the firm-country-half-year level, based on risk- and uncertainty-related earnings-call discussion of a foreign country. |
| Topic-Specific Sentiment | Average sentiment of earnings-call sentences mentioning a foreign country and classified by the LLM into a single topic category, measured at the firm-country-topic-half-year level. When a topic is not discussed but the foreign country is mentioned, sentiment takes the value of zero. |
| Topic-Specific Uncertainty | Average uncertainty of earnings-call sentences mentioning a foreign country and classified by the LLM into a single topic category, measured at the firm-country-topic-half-year level. When a topic is not discussed but the foreign country is mentioned, uncertainty takes the value of zero. |

*Continued on next page*

**Table A.1 – continued**

| Variable | Description |
|---|---|
| Sourcing Cost Index | The weighted average unit price for a given firm and HS6-code product and half-year, with the unit price being fixed and the weights being proportional to the quantity of goods imported (in metric tons) by the firm from a given country in a given half-year. We consider two versions of this measure: one in which country-specific product unit prices are averaged over the two-year periods preceding the election, and another based on the unit prices one year prior to elections. Unit values are trimmed at the top and bottom 2.5th percentiles within each product-year. |
| ***Independent variables:*** | |
| Distance increase | Indicator equal to one if the change in the ideological distance between the firm's CEO and the foreign country, as defined in equation (1), is non-negative, and zero otherwise. |
| Post | Indicator equal to one if the time period falls after a given election ($\tau = 0$ to $\tau = +4$), and zero otherwise. |

# Internet Appendix to
# "CEO Ideology and Global Trade"

This internet appendix presents additional material to accompany the paper "CEO Ideology and Global Trade." The contents are as follows:

**Internet Appendix IA.A** describes in more detail the S&P Panjiva data, the U.S. voter registration data, as well as the construction of our main sample.

**Internet Appendix IA.B** provides additional descriptive information.

**Internet Appendix IA.C** reports robustness tests and additional analyses supporting the main results.

**Internet Appendix IA.D** describes our earnings call analysis.

# IA.A Data Cleaning and Sample Construction

This section provides additional information about the cleaning and processing of our main data sources. Section IA.A.1 describes the approach used to clean the S&P Panjiva data, Section IA.A.2 describes the approach used to match CEOs to voter registration data, and Section IA.A.3 describes how our sample size changes as we match S&P Panjiva with other information.

## IA.A.1 Cleaning the S&P Panjiva Data

We clean the import data by mainly following Smirnyagin and Tsyvinski (2022) and Barbiero, Sheremirov, Silva, and Stein (2025) with the following steps:

1. We start with the universe of shipments imported by U.S. firms (i.e., consignees) between 2007 and 2023. We remove observations with a missing firm identifier (*conpanjivaid*).

2. To identify the country of origin of each shipment, we follow the procedure in Barbiero, Sheremirov, Silva, and Stein (2025) to use the information of the two variables: *placeofreceipt* and *shpmtorigin*. We first extract country information from *placeofreceipt*, and whenever infeasible, we use the variable *shpmtorigin*. We then exclude observations with missing origin countries and those where the country of origin is the United States.

3. We then use the cross-reference table, provided by Panjiva, to match each *conpanjivaid* with its corresponding firm identifier in S&P Capital IQ (*companyid*). We drop observations where *companyid* is missing.

4. We then use the concordance file, provided by Panjiva, to match each firm (*companyid*) with its ultimate parent company (*ultimateparentcompanyid*), and drop observations where the *ultimateparentcompanyid* is missing.

5. We obtain the *gvkey* for parent firms by referencing the crosswalk file from WRDS, which provides the starting and ending dates for every *companyid-gvkey* pair. We attach the corresponding *gvkey* only if the observation falls within the specified time frame; otherwise, we remove the observations. All shipments associated with the same *gvkey* are considered to have been executed by the same firm.

6. Panjiva provides a series of HS code (*hscode*) based on the product descriptions for each shipment. We first extract the six-digit HS codes and harmonize them to the

HS 2007 classification using the official UN correspondence (concordance) tables to ensure consistency over time. We then use the first two digits of the harmonized HS code to designate the product category, referred to as "product" for brevity. If a shipment contains multiple HS6 product categories, we allocate the volume, weight, and the value of goods of the shipment equally across the constituent HS6 codes. We then aggregate these measures to the HS2 product level.

7. We then aggregate the cleaned import data at the firm × product × foreign country × half-year level and firm × product × foreign supplier × half-year level, respectively.

For export data, we perform analogous steps:

1. We begin with the universe of shipments exported by U.S. shippers between 2007 and 2023 and remove observations with a missing shipper identifier (*shppanjivaid*).

2. We exclude observations with missing buyer country information (*shpmtdestination*) or where the buyer country is the United States.

3. We then apply the procedure described in steps 3 to 5 above to match each *shppanjivaid* to a *gvkey* to identify the ultimate parent company of a U.S. shipper. Observations that cannot be linked to a *gvkey* are dropped.

4. We repeat the above step 6 and aggregate the exporting data at the firm × product × foreign country × half-year level.

5. We also create a separate exports dataset, which excludes records where the shipment destination country (*shpmtdestination*) is the same as the country of the port of unlading.

## IA.A.2 Matching CEOs to Voter Registration Data

We assign U.S. CEOs a party affiliation as follows. We begin with all CEOs covered in the ExecuComp database between 2008 and 2020, after restricting the sample to firms headquartered in the United States. We obtain information on headquarters locations from the header section of the firm's 10-K/Q filings, as provided in the University of Notre Dame's Software Repository for Accounting and Finance at `https://sraf.nd.edu/data/augmented-10-x-header-data/`. When location data from historical filings are unavailable, we use address information from Compustat.

To obtain a proxy for the location of a given CEO's residence, we use location information (state and zip code) from the Infutor database, which tracks residence histories for more than 160 million U.S. residents. We merge our sample of executives with Infutor using the matching algorithm described in Bernstein, Diamond, McQuade, and Pousada (2019). Moreover, because first names in Execucomp may reflect a nickname or preferred name, we identify all possible first names corresponding to a given nickname before matching with voter registration data using the GitHub repository `https://github.com/onyxrev/common_nickname_csv`.

We then use the following method to match each CEO with a unique voter in a given state. In a first step, we merge CEOs with the voter data using first name, middle initial, last name, and state, and remove all matches with an age difference in excess of three years. In case of multiple matches, we apply the following criteria to determine the correct unique match. First, we check whether the zip code of the executive's residence or work location matches exactly that of one of the possible voters. If a unique exact zip code match is not found, we use the distance between the voter's most recent residence and the executive's residence/office location as an additional criterion. Specifically, we define a voter as a valid unique match if the voter lives within a 42-mile radius of the executive's location and there is no other possible voter match within this range.[1] Finally, if the CEO continues to match to multiple voters but they always have the same party affiliation, we select one voter at random.

If a CEO is matched to a unique voter in multiple states, we give preference to the executive's most recent location in the Infutor or Compustat databases. If the state of residence provided by Infutor differs from the office location and the executive is matched to a unique voter in both states, we prioritize the Infutor match. For CEOs who are located in a tri-state area (e.g., Connecticut / New Jersey / New York or D.C. / Maryland / Virginia) and do not match to any voter in their state of residence or work location, we

[1] 42 miles corresponds to twice the average daily commute in the U.S., according to `https://www.axios.com/2024/03/24/average-commute-distance-us-map`.

attempt another merge using the combined voter data of the tri-state area.

In a second step, we perform another merge for remaining unmatched CEOs using first and last name only, and drop matches with conflicting middle names. All other steps described above remain the same.

Using the above procedure, we are able to match 2,930 of the total 4,787 CEOs in ExecuComp between 2008 and 2020 to a unique voter record, resulting in a match rate of 61.2%.

## IA.A.3 Overview of Sample Construction Process

We outline how our sample size changes as we match U.S. firms in S&P Panjiva with information on foreign elections and CEO party affiliations.

| Step | Description | No. of Firms |
|---|---|---|
| 1 | Link U.S. firms in S&P Panjiva Import Records to *gvkeys*. | 9,454 |
| 2 | Require the U.S. firm to have imported an HS2 product at least once from any country within a four-year window around elections between 2009 and 2021 covered in the Manifesto Project Database. Also restrict to elections in countries that collectively account for 95% of the total import weight for a given HS2 product, aggregated across all U.S. importing firms over 2007 to 2023. | 9,450 |
| 3 | Require the U.S. firm to be covered in the S&P ExecuComp database. | 1,483 |
| 4 | Require the U.S. firm to be led by a Republican or Democratic CEO, and the CEO to have a non-missing $Distance\,Increase$ measure around a given election. | 960 |
| 5 | Require the U.S. firm to trade at least once with the foreign country during a symmetric four-year window surrounding an election. | 735 |

# IA.B Additional Descriptive Information

Table IA.1: **List of Top 15 Product Categories**

The table reports the top 15 product categories in our sample around elections by HS2 code (Panel A) and HS6 code (Panel B), respectively. Product codes are ranked by their aggregate importing cargo weights (in tons) during the four-year period around foreign elections.

***Panel A: Most Common HS2 Code Product Categories***

| HS2 Code | Product Category Description |
|---|---|
| (1) | (2) |
| 27 | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes |
| 68 | Stone, plaster, cement, asbestos, mica or similar materials; articles thereof |
| 25 | Salt; sulphur; earths, stone; plastering materials, lime and cement |
| 72 | Iron and steel |
| 15 | Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes |
| 84 | Machinery and mechanical appliances, boilers, nuclear reactors; parts thereof |
| 73 | Iron or steel articles |
| 22 | Beverages, spirits and vinegar |
| 44 | Wood and articles of wood; wood charcoal |
| 38 | Chemical products n.e.c. |
| 39 | Plastics and articles thereof |
| 29 | Organic chemicals |
| 87 | Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof |
| 26 | Ores, slag and ash |
| 69 | Ceramic products |

***Panel B: Most Common HS6 Code Product Categories***

| HS6 Code | Product Category Description |
|---|---|
| (1) | (2) |
| 270900 | Oils; petroleum oils and oils obtained from bituminous minerals, crude |
| 271011 | Petroleum oils and oils from bituminous minerals, not crude or waste oils; preparations n.e.c. with 70% or more (weight), of petroleum oils or oils from bituminous minerals; being the basic constituents of the preparations: light oils and preparations |
| 271019 | Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations |
| 680221 | Marble, travertine and alabaster; simply cut or sawn, with a flat or even surface |
| 151319 | Vegetable oils; coconut (copra) oil and its fractions, other than crude, whether or not refined, but not chemically modified |
| 250100 | Salt (including table salt and denatured salt); pure sodium chloride whether or not in aqueous solution; sea water |
| 251710 | Pebbles, gravel, broken or crushed stone; of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated |
| 721049 | Iron or non-alloy steel; flat-rolled, width 600mm or more, (not corrugated), plated or coated with zinc (not electrolytically) |
| 680293 | Granite; articles thereof, (other than simply cut or sawn, with a flat or even surface) |
| 680223 | Granite; articles thereof, simply cut or sawn, with a flat or even surface |
| 220300 | Beer; made from malt |
| 250510 | Sands; natural, silica and quartz sands, whether or not coloured |
| 720449 | Ferrous waste and scrap; n.e.c. in heading no. 7204 |
| 720110 | Iron; non-alloy pig iron containing by weight 0.5% or less of phosphorus, in pigs, blocks or other primary forms |
| 270740 | Oils and products of the distillation of high temperature coal tar; naphthalene |

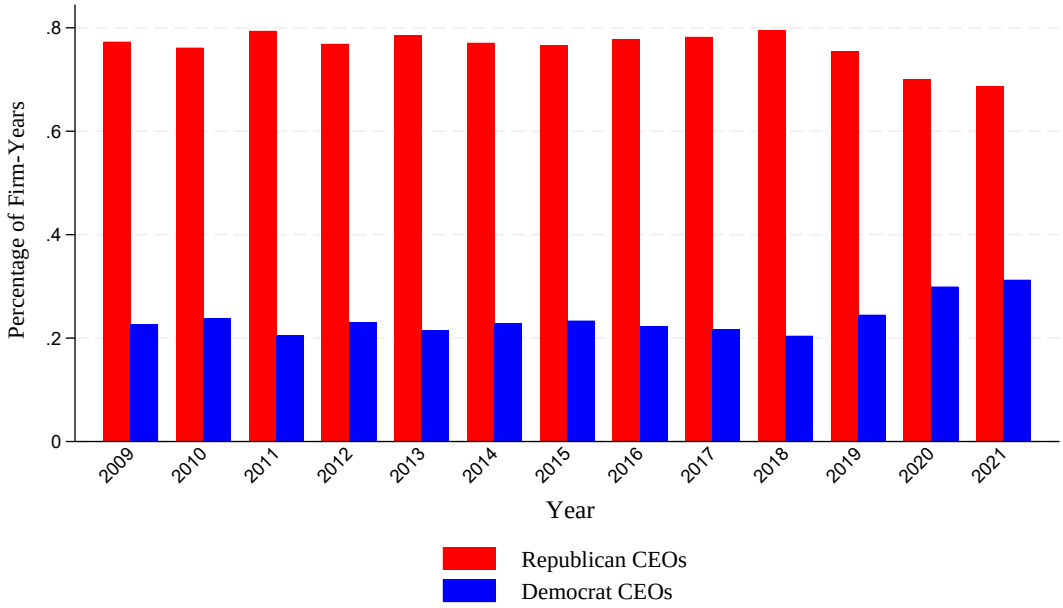


Figure IA.1: **Distribution of CEO Party Affiliation by Election Year**

The figure reports the percentage of sample firms led by Republican and Democratic CEOs by election year.

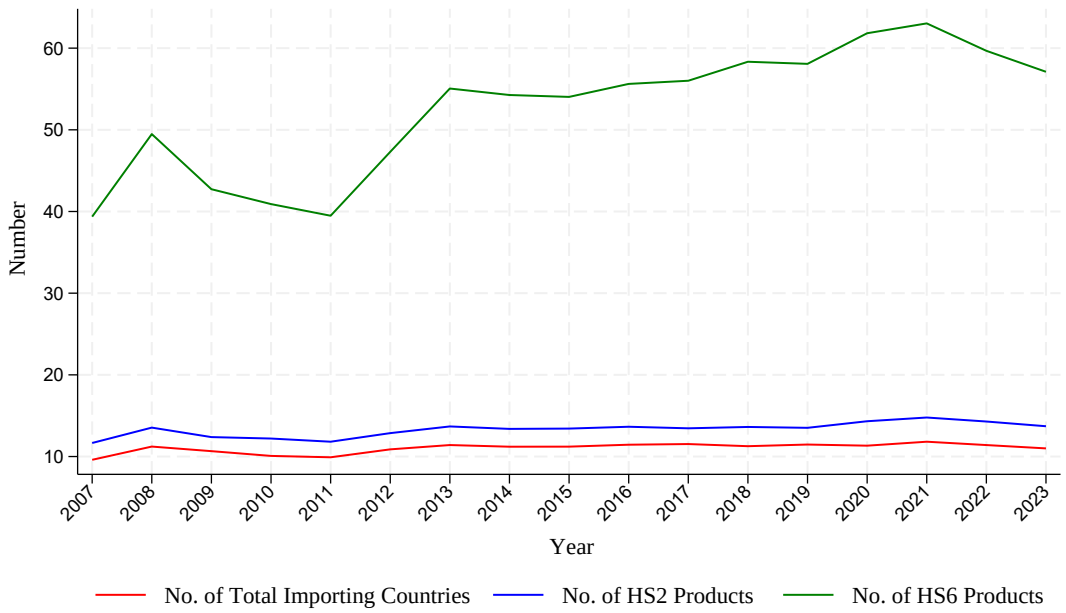


Figure IA.2: **Number of Sourcing Countries and Product Categories by Year**

The figure reports the average number of sourcing countries and distinct products (at the HS2 or HS6 product level, specifically) of the average firm in our sample by year.

Table IA.2: **Manifesto Project: Policy Categories**

The table reports the policy categories classified as right versus left by the Manifesto Project.

| "Left" Position | "Right" Position |
|---|---|
| Market Regulation: Positive | Free Market Economy |
| Economic Planning: Positive | Economic Orthodoxy: Positive |
| Controlled Economy: Positive | Incentives: Positive |
| Protectionism: Positive | Protectionism: Negative |
| Welfare State Expansion: Positive | Welfare State Limitation: Positive |
| Nationalisation: Positive | Civic Mindedness: Positive |
| Education Expansion: Positive | Law and Order: Positive |
| Labour Groups: Positive | Traditional Morality: Positive |
| Military: Negative | Military: Positive |
| Anti-Imperialism: Anti-Colonialism | Constitutionalism: Positive |
| Peace: Positive | Political Authority: Positive |
| Internationalism: Positive | Freedom and Human Rights: Positive |
| Democracy: Positive | National Way of Life: Positive |

Table IA.3: **Example: Changes in Ideological Distance**

The table reports the ideology scores of the winning party ("Winner") and the winning party in the previous election ("Previous Winner") for the 2013 Italian election (Panel A) and the 2012 French election (Panel B). Both elections are close elections with the vote share difference below 5%. It also reports the ideology score and the change in ideological distance (ΔDist.) for the U.S. Republican Party and the U.S. Democratic Party around the respective election. ΔDist. is computed according to equation (1) in the main paper.

*Panel A: Italian Election in 2013*

| Winner | | | Previous Winner | | Democrats | | Republicans | |
|---|---|---|---|---|---|---|---|---|
| Party | | Ideology | Party | Ideology | Ideology | ΔDist. | Ideology | ΔDist. |
| (1) | | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Italy. Good | Common | -0.26 | Centre-right coalition | 0.49 | -0.20 | -0.63 | 0.95 | 0.75 |

*Panel B: French Election in 2012*

| Winner | | Previous Winner | | Democrats | | Republicans | |
|---|---|---|---|---|---|---|---|
| Party | Ideology | Party | Ideology | Ideology | ΔDist. | Ideology | ΔDist. |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Socialist Party | -1.11 | Union for a Popular Movement | -0.47 | 0.35 | 0.64 | 0.93 | 0.64 |

# IA.C Robustness Tests and Additional Analyses

Table IA.4: **Differences in Firm Characteristics: Distance-Increase vs. Distance-Decrease Firms**

The table reports the results from a linear probability model that regresses the indicator *Distance Increase* on observable firm and CEO characteristics. The unit of observation is a firm $\times$ election and all characteristics are measured one year prior to the election. *Log Import Value* is the logarithm of the firm's total annual import value in USD million. *Log No. of Countries* is the logarithm of the number of distinct sourcing countries from which the firm imports in a given year. *Log No. of Products* is the logarithm of the total number of unique product categories the firm imports in that year. *Firm Size* is the logarithm of the firm's total assets. *Firm Leverage* is the ratio of the firm's total debt (current plus long-term) to total assets. *Firm ROE* is the firm's return on equity. *Log CEO Age* is the logarithm of the CEO's age in that year. *Chairman CEO* is an indicator equal to one if the CEO serves as chairman on the board, and zero otherwise. *Prominent CEO* is an indicator equal to one if the CEO is classified as prominent (as defined as in Table IA.15), and zero otherwise. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the firm level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Distance Increase | | | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Log Import Value | 0.000 | -0.001 | -0.001 | -0.001 |
| | (0.01) | (-0.32) | (-0.30) | (-0.75) |
| Log No. of Countries | -0.006 | -0.003 | -0.003 | -0.006 |
| | (-0.57) | (-0.30) | (-0.28) | (-0.69) |
| Log No. of Products | -0.000 | -0.000 | 0.000 | 0.009 |
| | (-0.01) | (-0.02) | (0.03) | (1.08) |
| Firm Size | | -0.001 | -0.000 | 0.001 |
| | | (-0.43) | (-0.02) | (0.35) |
| Firm ROE | | 0.004 | 0.003 | 0.002 |
| | | (0.27) | (0.19) | (0.19) |
| Firm Leverage | | -0.013 | -0.013 | -0.019 |
| | | (-0.47) | (-0.45) | (-0.78) |
| Log CEO Age | | | 0.008 | 0.025 |
| | | | (0.21) | (0.75) |
| Chairman CEO | | | 0.006 | 0.007 |
| | | | (0.68) | (1.00) |
| Prominent CEO | | | -0.013 | -0.006 |
| | | | (-1.18) | (-0.67) |
| Year FE | Yes | Yes | Yes | No |
| Election FE | No | No | No | Yes |
| $R^2$ | 0.139 | 0.137 | 0.137 | 0.574 |
| N | 11,562 | 11,126 | 11,107 | 11,100 |

Table IA.5: **CEO Ideological Distance and Foreign Trade: Alternative Specifications**

The table reports alternative specifications for our baseline regression in column (3) of Table 2 in the main paper. Panel A defines product categories based on HS6 codes. Panel B includes more granular fixed effects. In Panel C, we define close elections as elections in which the vote share difference between the winner and the runner-up was below 5 pp, or below the bottom quartile across all elections in MPD during 2009 to 2021, respectively. The balanced sample of elections restricts to elections for which the full event window is available. We also remove filters that require firms to import the product from the election country at least once around elections, or from any country in a given half-year, respectively. Panel D applies alternative clustering of standard errors.

| | Coeff. | $t$-stat | Econ Effect | $N$ |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Baseline | –1.617 | –2.63 | –4.14% | 227,371 |
| ***Panel A: Alternative definition of product categories*** | | | | |
| HS6 Product Codes | –0.617 | –1.98 | –5.31% | 754,117 |
| ***Panel B: Alternative sets of fixed effects*** | | | | |
| Include Election × FF12Ind × Product × Time FE | –2.057 | –2.79 | –5.23% | 182,875 |
| Include Election × Firm State × Product × Time | –3.813 | –3.93 | –9.89% | 123,199 |
| ***Panel C: Alternative samples*** | | | | |
| Close Elections (vote share margin below 5pp) | –2.147 | –2.59 | –5.55% | 70,754 |
| Close Elections (vote share margin in bottom quartile) | –2.598 | –2.20 | –6.70% | 47,792 |
| Balanced Sample of Elections | –1.811 | –2.24 | –4.53% | 106,866 |
| Include firm-product pairs with no election-country imports | –0.295 | –2.58 | –5.48% | 1,692,378 |
| Include product half-years with no product imports | –1.568 | –3.07 | –4.86% | 283,429 |
| ***Panel D: Alternative clustering of standard errors*** | | | | |
| By CEO Party × Election and Time | –1.617 | –2.48 | –4.14% | 227,371 |
| By CEO Party × Election and Firm | –1.617 | –3.25 | –4.14% | 227,371 |
| By Product × Country | –1.617 | –2.27 | –4.14% | 227,371 |

Table IA.6: **CEO Ideology vs. Other Executive Ideology**

The table augments our baseline regression in column (3) of Table 2 in the main paper with an interaction term between *Post* and an alternative *Distance Increase* indicator defined based on the ideology of the non-CEO executives at the firm. The non-CEO executive ideology score is calculated as the equally-weighted average ideology score across Republican and Democratic non-CEO executives at the firm one year prior to the election. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | |
|---|---|---|
| | (1) | (2) |
| Distance Increase × Post | | -1.506*** |
| | | (-2.64) |
| Distance Increase (Other Executives) × Post | -0.850 | -0.788 |
| | (-0.83) | (-0.77) |
| Election × Product × Time FE | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes |
| $R^2$ | 0.447 | 0.447 |
| N | 200,358 | 200,358 |

Table IA.7: **Benchmarking Against Unaffiliated CEOs**

The table expands our baseline specification from column (3) of Table 2 in the main paper by including unaffiliated CEOs. For comparability, we restrict the sample to the same set of elections as in our baseline tests. In column (1), *Distance Increase* (*Distance Decrease*) is an indicator equal to one if the firm's CEO experiences an increase (or a decrease) in ideological distance, and zero otherwise. In column (2), *Distance Increase* (*Rep*) and *Distance Increase* (*Dem*) are indicators that are equal to one for distance-increase CEOs who are Republican or Democrat, respectively, and zero otherwise. In column (3), *Distance-Increase Group U.S. Aligned* is an indicator for elections in which the distance-increase group shares the party affiliation of the sitting U.S. president at the end of the election year, and zero otherwise. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Distance Increase × Post | 0.356 | | 0.061 |
| | (0.54) | | (0.09) |
| Distance Decrease × Post | 1.818*** | | 1.817** |
| | (2.84) | | (2.50) |
| Distance Increase (Rep) × Post | | -0.960 | |
| | | (-0.87) | |
| Distance Increase (Dem) × Post | | -2.392 | |
| | | (-1.53) | |
| Distance Increase × Post × Distance-Increase Group U.S. Aligned | | | 1.141 |
| | | | (0.68) |
| Distance Decrease × Post × Distance-Increase Group U.S. Aligned | | | 0.001 |
| | | | (0.00) |
| Election × Product × Time FE | Yes | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes | Yes |
| Dem Party × Post FE | No | Yes | No |
| Rep Party × Post FE | No | Yes | No |
| $R^2$ | 0.423 | 0.423 | 0.423 |
| N | 204,322 | 204,322 | 204,322 |

Table IA.8: **Prime Minister Ideology vs. Government Ideology**

The table augments our baseline regression in column (3) of Table 2 in the main paper with an interaction term between *Post* and an alternative *Distance Increase* indicator defined based on the ideology of the Prime Minister's party or the government. Government Ideology is computed as the seat-weighted average ideology score of the parties forming the governing coalition, whereas Prime Minister Ideology is the ideology score of the party of the prime minister only. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Distance Increase × Post | | | -2.333** |
| | | | (-2.36) |
| Distance Increase (Prime Minister Ideology) × Post | -1.374* | | 0.724 |
| | (-1.85) | | (0.71) |
| Distance Increase (Government Ideology) × Post | | -1.222 | 0.074 |
| | | (-1.51) | (0.08) |
| Election × Product × Time FE | Yes | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes | Yes |
| $R^2$ | 0.446 | 0.445 | 0.446 |
| N | 161,364 | 169,585 | 161,364 |

Table IA.9: **Alternative Ideology Measure: Populism Index**

The table augments our baseline regression in column (3) of Table 2 in the main paper with an interaction term between *Post* and an alternative *Distance Increase* indicator defined based on Populism Index from the V-Party Dataset. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | |
|---|---|---|
| | (1) | (2) |
| Distance Increase × Post | | -1.582** |
| | | (-2.57) |
| Distance Increase (Populism Index) × Post | -2.175* | -2.278* |
| | (-1.72) | (-1.80) |
| Election × Product × Time FE | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes |
| $R^2$ | 0.443 | 0.443 |
| N | 223,041 | 223,041 |

Table IA.10: **Heterogeneity by Election Characteristics**

The table augments our baseline specification reported in column (3) of Table 2 by interacting the independent variables with measures of election characteristics: U.S. media coverage (column (1)), emphasis on left-right policy issues in party manifestos (column (2)), and party-changes (column (3)). In column (1), media coverage is measured using the share of election-related news articles among the top 50 U.S. newspapers via the Media Cloud Online News Archive (Roberts, Bhargava, Valiukas, Jen, Malik, Bishop, Ndulue, Dave, Clark, Etling, et al., 2021). Specifically, we search for articles containing the terms "election" and the relevant country name within a 10-day window before and after each election date. In column (2), we compute, for each party in each election, the emphasis on left-right policies as the number of quasi-sentences classified as left-right policies by MPD divided by the total number of coded sentences in the manifesto. We then average this share across all parties within each election. We use it as a proxy for the extent to which left-right policy issues are discussed in party manifestos. In both columns (1) and (2), we define an indicator for elections that fall into the top quartile of the relevant election characteristic by each election year, and zero otherwise. In column (3), we interact the independent variables with an indicator for party-changing elections. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Distance Increase × Post × High Media Coverage | -2.949*** | | |
| | (-2.69) | | |
| Distance Increase × Post × High Left-Right-Topic Share | | -3.064** | |
| | | (-2.25) | |
| Distance Increase × Post × Party-Changing Elections | | | -0.418 |
| | | | (-0.36) |
| Distance Increase × Post | -0.226 | -1.148* | -1.464* |
| | (-0.36) | (-1.67) | (-1.72) |
| Election × Product × Time FE | Yes | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes | Yes |
| $R^2$ | 0.443 | 0.443 | 0.443 |
| N | 227,371 | 227,371 | 227,371 |

Table IA.11: **CEO Ideological Distance and Exports**

The table examines the effect of CEO ideological distance on firms' export activity. The dependent variable is an indicator equal to one if the firm exports at least one shipment to the foreign country in a given product category and half-year, and zero otherwise, multiplied by 100. Column (1) uses all export records. Column (2) excludes records for which the shipment destination country coincides with the country of the port of unlading. $t$-statistics, reported in parentheses, are based on standard errors clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Export Indicator | |
|---|---|---|
| Records | All | Excl Same Destination–Unlading Country |
| | (1) | (2) |
| Distance Increase × Post | 0.125 | -5.190** |
| | (0.10) | (-2.29) |
| Economic Effect % | 0.30 | -15.11 |
| Election × Product × Time FE | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes |
| $R^2$ | 0.544 | 0.561 |
| N | 125,785 | 30,433 |

Table IA.12: **CEO Ideological Distance and Supply Chain Reconfiguration: Contribution of Non-Election Countries**

The table complements Panels A and B from Table 5 in the main paper by reporting the midpoint growth contribution of all non-election countries. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

| Dependent Variable: | Contribution to Total Growth Rate | | | | |
|---|---|---|---|---|---|
| | Countries | Shipments | Volume | Weight | Value |
| | (1) | (2) | (3) | (4) | (5) |
| Distance Increase | 0.005 | 0.018 | 0.012 | 0.015 | 0.005 |
| | (0.54) | (1.04) | (0.65) | (0.95) | (0.36) |
| Election × Product FE | Yes | Yes | Yes | Yes | Yes |
| $R^2$ | 0.170 | 0.203 | 0.172 | 0.168 | 0.163 |
| N | 36,920 | 36,920 | 36,920 | 36,920 | 36,920 |

Table IA.13: **CEO Ideological Distance and Supply Chain Reconfiguration: Within-Sourcing Country Test**

This table analyzes the reallocation of supply chain relationships at the more granular firm × product × sourcing country level. For each firm-product-election, we expand the dataset to include all countries from which at least one U.S. firm has sourced the product prior to the election, such that the unit of observation is a U.S. firm × election × product × non-election sourcing country × half-year. We then re-estimate our baseline specification reported in column (3) of Table 2, after interacting the independent variables with an indicator for ideologically close sourcing countries. The dependent variable, *Import Indicator*, is an indicator equal to one if the firm imports the product from the given non-election country in a given half-year, and zero otherwise. *Close* is an indicator if the sourcing country is ideologically closer to the CEO than the election country after the election, as in Table 5 in the main paper. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | |
|---|---|---|
| | (1) | (2) |
| Distance Increase × Post × Close | 0.342*** | 0.378*** |
| | (3.71) | (3.87) |
| Distance Increase × Post | -0.006 | -0.009 |
| | (-0.21) | (-0.27) |
| Post × Close | -0.092 | -0.110 |
| | (-1.33) | (-1.45) |
| Election × Product × Sourcing Country × Time FE | Yes | Yes |
| Firm × Sourcing Country × Election FE | Yes | No |
| Firm × Sourcing Country × Election × Product FE | No | Yes |
| $R^2$ | 0.480 | 0.682 |
| N | 20,770,672 | 20,518,684 |

Table IA.14: **Heterogeneity by Product Characteristics**

The table augments our baseline specification reported in column (3) of Table 2 in the main paper by interacting the independent variables with measures of product characteristics. In Panel A, we distinguish between commodities and non-commodities. Following Gopinath, Boz, Casas, Díez, Gourinchas, and Plagborg-Møller (2020), commodities are defined as HS2 categories 1–27 and 72–83, with all remaining HS2 categories classified as non-commodities. In column (2), we further decompose non-commodities into products with high versus low cyclicality based on the sensitivity of their exports to macroeconomic conditions in the sourcing country. Specifically, for each product, we estimate a "macroeconomic beta" by regressing the growth rate of the value of the country's exports to the U.S. on the country's contemporaneous GDP growth, pooling all sourcing countries and years from 2007 to 2023. The coefficient on the domestic GDP growth is then the macroeconomic beta. We then sort the betas within each election and classify products as high beta if their macro beta is in the top quartile, and low-beta otherwise. In column (3), we further decompose non-commodities into durables and non-durables following Engel and Wang (2011). In Panel B, we follow Alfaro, Chor, Antras, and Conconi (2019) and use the United Nations' BEC classification to distinguish between final and intermediate goods at the HS6 code level. Column (1) uses the share of HS6 products classified as final goods within each HS2 category for the interaction term, and column (2) classifies an HS2 product as a final good if more than half of its HS6 products are designated as final goods. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

***Panel A: Commodities versus Non-Commodities***

| Dependent Variable: | Import Indicator | | |
|---|---|---|---|
| | (1) | (2) | (3) |
| Distance Increase × Post × Non-Commodities | -2.573* | | |
| | (-1.89) | | |
| Distance Increase × Post × High-Beta | | -3.083* | |
| | | (-1.78) | |
| Distance Increase × Post × Low-Beta | | -2.327 | |
| | | (-1.63) | |
| Distance Increase × Post × Durables | | | -4.147*** |
| | | | (-3.45) |
| Distance Increase × Post × Non-Durables | | | -0.539 |
| | | | (-0.28) |
| Distance Increase × Post | 0.393 | 0.393 | 0.393 |
| | (0.31) | (0.31) | (0.31) |
| Election × Product × Time FE | Yes | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes | Yes |
| $R^2$ | 0.443 | 0.443 | 0.443 |
| N | 227,371 | 227,371 | 227,371 |

***Panel B: Final versus Intermediate Goods***

| Dependent Variable: | Import Indicator | |
|---|---|---|
| | (1) | (2) |
| Distance Increase × Post × Share of Final Goods | 0.122 | |
| | (0.08) | |
| Distance Increase × Post × Final Goods Indicator | | -0.365 |
| | | (-0.43) |
| Distance Increase × Post | -1.667* | -1.437* |
| | (-1.78) | (-1.79) |
| Election × Product × Time FE | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes |
| $R^2$ | 0.443 | 0.443 |
| N | 227,371 | 227,371 |

Table IA.15: **Heterogeneity by CEO Visibility**

The table augments our baseline specification reported in column (3) of Table 2, by interacting the independent variables with indicators for highly visible CEOs. To measure CEO visibility, we use two proxies: one based on the CEO's prominence and the other based on firm size. In column (1), the indicator *High Visibility* is equal to one if the CEO is listed on the Notable Names Database website, and zero otherwise. In column (2), it is equal to one if the firm's total assets one year prior to the election is in the top quartile within each election year, and zero otherwise. $t$-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

| Dependent Variable: | Import Indicator | |
|---|---|---|
| CEO Political Visibility: | CEO Prominence | Firm Size |
| | (1) | (2) |
| Distance Increase × Post × High Visibility | 0.069 | 0.017 |
| | (0.05) | (0.01) |
| Distance Increase × Post | -1.642** | -1.896** |
| | (-2.11) | (-2.16) |
| Post × High Visibility | 0.015 | 1.250 |
| | (0.01) | (1.18) |
| Election × Product × Time FE | Yes | Yes |
| Firm × Product × Election FE | Yes | Yes |
| $R^2$ | 0.443 | 0.445 |
| N | 227,371 | 217,856 |

## IA.D Earnings Call Analysis

For each company in our dataset, we obtain earnings call transcripts between the years 2009 and 2020 (matching the sample period studied in Hassan, Schreger, Schwedeler, and Tahoun (2024)) from the Street Events dataset licensed through LSEG, after linking *gvkey* identifiers to *CUSIP* identifiers via the CRSP Compustat Link in WRDS. We then use the Python package `pycountry` to tag any mentions of a foreign country within company executives' speech in each earnings call. We also apply a list of foreign-country adjectives published online to find additional sentences mentioning a foreign country.[2]

Once we have the subset of sentences with foreign country mentions, we institute a window of +/− one sentence around the tagged sentence in order to give the LLM better context. We use few-shot learning via the `gpt-4.1-mini` model to classify each tagged sentence (with its three-sentence window) into the following topics: macroeconomy, public policy, political system, company/industry-specific, natural disasters/weather, and none of the above. The exact prompt used is shared below.

```
prompt = f"""
You are an assistant analyzing statements from corporate earnings calls.
You are given a set of sentences that relate to a country's macroeconomy, government policy, or political system.
Your task is to determine whether the executive is discussing **any of the following topics** in relation to **{country_name}**.
You must assign a value of 1 (yes) or 0 (no) to **each** topic.

Topics:
- Macroeconomy (e.g., inflation, interest rates, economic growth)
- Government policy (e.g., regulation, tariffs, taxes, sanctions)
- Political system (e.g., elections, parties, politicians)
- Company/industry-specific (e.g., suppliers, customers, operations, deals)
- Natural disasters/weather (e.g., COVID-19, floods, earthquakes, winter weather)

Instructions:
- Only mark a topic as 1 if it's clearly discussed in relation to **{country_name}**.
- If none of the topics are clearly mentioned or it's unclear, return all 0s.
- Your response must be a **valid JSON object**, with the five topics as keys and values as 0 or 1.
"""
```

Similarly, we use few-shot learning via the `gpt-4.1-mini` model to classify each tagged sentence (with its three-sentence window) into negative, neutral, and positive sentiment,

[2] See `https://en.wikipedia.org/wiki/List_of_adjectival_and_demonymic_forms_for_countries_and_nations`.

as well as uncertainty (yes or no). The exact prompt used is shared below. The examples for few-shot learning were curated by human experts and the temperature of the model was set to zero. Sentiment classifications are coded as –1, 0, and +1 for negative, neutral, and positive sentiment, respectively. Uncertainty classifications are coded as 0 when no uncertainty is expressed and 1 when uncertainty is present.

```
system_msg = (
        "You are a precise classifier. Read the passage and output JSON ONLY.\n"
        "Return labels for the specified target country, excluding others.\n"
        "Fields:\n"
        " country: common name (e.g., "United Kingdom")\n"
        " sentiment: +1 positive, 0 neutral, -1 negative\n"
        " uncertainty: 1 if hedged/conditional/speculative; else 0\n"
        " evidence: 1-2 short quoted snippets (<=20 words each) supporting your labels\n
            "
        "Rules:\n"
        " - Detect sentiment via direction (growth/recovery=+1, contraction/risk/
            sanctions=-1, purely factual=0).\n"
        " - Uncertainty=1 ONLY when the claim explicitly expresses LACK OF CERTAINTY or
            SECURITY, UNEASINESS, UNSURENESS, is CONDITIONAL or UNKNOWN. Triggers
            include:\n"
        " likely/unlikely/possible/maybe, "
        " subject to/depending on/contingent on, if/unless, pending/under review/not yet
             determined, "
        " risk/uncertainty/headwind/tailwind, guidance WITH explicit caveats (e.g., '
            assuming ...', 'if ...').\n"
        " - Uncertainty=0 when the statement is a definite plan/commitment or factual
            projection, e.g.:\n"
        " will/are going to/should/would, committed to/scheduled to, signed/approved/
            funded, "
        " official guidance stated plainly (ranges OK) with no contingency language.\n"
        " - IMPORTANT: Do NOT mark uncertainty merely because the statement is future-
            focused or exploratory in tone.\n"
        " Talking about strategy, roadmap, pipeline, new projects, opportunities, or '
            exploring/evaluating options' "
        " is NOT uncertainty by itself- mark 1 only if hedge/conditional/risk language
            is present.\n"
        " If mixed, prefer +1 > 0 > -1.\n"
        " - The evidence for uncertainty=1 must include the hedging/conditional phrase(s
            ) that triggered it.\n"
        " - Output JSON only."
    )
```

We then merge the LLM classification results with our main dataset. To do so, we

aggregate the sentiment and uncertainty scores at the firm × foreign country × half-year level. For each firm-country-half-year, we compute the mean sentiment and uncertainty across all sentences that comprise a single topic. To avoid overly sparse topic categories, we combine the public policy and political system topics into "Politics/Policy", and natural disasters/weather and "none of the above" into "Other." If a country is mentioned in a given half-year but not in relation to a specific topic, we assign a value of zero to that topic's sentiment and uncertainty scores. Table IA.16 below reports summary statistics.

Table IA.16: **Earnings Call Summary Statistics by Topic**

This table reports summary statistics for foreign-country discussion in earnings calls by topic. The first row reports the likelihood of foreign country mentions in conference calls after restricting the sample to firm-country pairs in which the firm mentions the foreign country at least once during our sample period. Panel A reports the distribution of topics conditional on such mentions, and Panels B and C present the mean level of sentiment and uncertainty by topic, respectively. The unit of observation is a U.S. firm × foreign country × half-year.

| Variable | Mean | N |
|---|---|---|
| Has foreign mention | 0.17 | 82,887 |
| ***Panel A: Percentage of topic mentioning (cond. on mentioning)*** | | |
| Company/Industry | 0.91 | 12,552 |
| Macroeconomy | 0.33 | 12,552 |
| Politics/Policy | 0.22 | 12,552 |
| Other | 0.21 | 12,552 |
| ***Panel B: Sentiment by topic (cond. on mentioning)*** | | |
| Company/Industry | 0.23 | 12,552 |
| Macroeconomy | -0.01 | 12,552 |
| Politics/Policy | -0.01 | 12,552 |
| Other | -0.01 | 12,552 |
| ***Panel C: Uncertainty by topic (cond. on mentioning)*** | | |
| Company/Industry | 0.14 | 12,552 |
| Macroeconomy | 0.09 | 12,552 |
| Politics/Policy | 0.08 | 12,552 |
| Other | 0.05 | 12,552 |