Partisan Friendshoring

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March 17, 2025

Abstract

This study examines how CEO partisanship influences global supply chain decisions amid rising geopolitical tensions. Using firm-level trade data, CEO political affiliations, and measures of ideological distance between countries, we find that firms led by CEOs politically aligned with the U.S. administration reduce imports substantially more from countries that become ideologically distant from the U.S. Exploiting close foreign elections that shift countries' ideological alignment with the U.S., we find that aligned CEOs cut imports by 40% more than misaligned CEOs from countries that become more ideologically distant, relative to those that become closer. Exploring potential mechanisms, our evidence is consistent with aligned CEOs having heightened geopolitical risk perceptions and having desires to support administration policies. These politically influenced import reductions significantly reduce firm value, revealing important costs of politically-influenced supply chain decisions.

Keywords: Partisanship, Global Supply Chain, Geopolitical Tension, Import

JEL Codes: F14, F51, G30, M12, M14

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1. Introduction

U.S. firms are increasingly concerned about geopolitical risks in their supply chains. Facing escalating geopolitical tensions and rapidly shifting global alliances, firms must carefully select trade partners to remain competitive and navigate uncertainty.[1] One frequently proposed solution is friendshoring, which advocates businesses to shift their global sourcing toward countries politically aligned with the U.S. and away from adversarial nations (Yellen, 2022).[2] Consistent with the friendshoring strategy, aggregate trade flows weaken between countries with diverging political ideologies (Pollins, 1989a; Mityakov et al., 2013; Qiu et al., 2024). However, this strategy may become costly if geopolitical allies do not supply the required inputs at competitive prices (Rajan, 2022), or if source countries frequently change their geopolitical positions, making it "problematic" to establish long-term trade partners (James, 2022).

Corporate leaders may perceive the benefit-cost tradeoff of friendshoring differently, depending on their partisan leanings. In recent years, global trade and foreign policies have attracted intense partisan disagreements. Partisan alignment with the U.S. administration can thus shape the views regarding U.S. global alliances and geopolitical tensions. [3] As the executives of U.S. firms become increasingly polarized and highly influenced by their partisan perceptions (Fos et al., 2022; Mkrtchyan et al., 2023; Cohen et al., 2019; Steel, 2024; Rice, 2020; Arikan et al., 2023), it is plausible that CEOs' partisanship can shape firms' supply chain strategies to address geopolitical risks.

[1]For example, growing strategic competition between the U.S. and China has led to trade restrictions and technology controls (Amiti et al., 2019). Events like the Russian invasion of Ukraine in 2022 have disrupted global supply chains and commodity markets with far-reaching economic consequences (WorldBank, 2022; Aizenman et al., 2024).

[2]In 2022, the US Secretary of the Treasury, Janet Yellen emphasized "friendshoring as an important strategy of the administration's approach to navigating a more contentious global economy, which according to media reports were welcomed by policymakers in Canada and Mexico. Also see "What is Friendshoring," August 30, 2023, *The Economist.*

[3]Recent Pew Research Center surveys reveal sharp partisan divides in how Americans perceive foreign policy and global alliances (Pew Research Center (2018), Pew Survey (2024)). These divisions have deepened under the Trump administration, as President Trump's warming ties with Putin and criticism of Zelensky have sparked contrasting reactions across party lines (Guardian (2025)).

We examine whether partisan firms adjust their global supply chains differently in response to geopolitical tensions. Specifically, we identify firms whose CEOs are politically aligned or misaligned with the U.S. administration, and compare their changes in imports when their source countries become more or less antagonistic towards the U.S. We document that politically aligned firms reduce imports to a greater extent from adversarial countries than misaligned firms. This contrast does not exist in relation to CEOs' parties (i.e., Democrat or Republican), but only appears with regards to firms' political alignment with the U.S. administration. We establish causality using closely won foreign elections that shift a country's ideological distance from the U.S. Delving into the mechanisms, our evidence suggests that heightened geopolitical risk perceptions and nationalistic preferences are potential reasons why aligned firms are more responsive to changes in global alliances. Ultimately, friendshoring seems detrimental to firm value, as shown by the incremental value decline of aligned firms when their source countries exhibit diverging ideologies from the U.S.

We leverage several unique datasets to investigate the relationship among firm partisanship, geopolitical tensions, and trade. First, we use transaction-level Bill-of-Lading (BoL) data from the S&P that cover the universe of U.S. maritime imports from 2007–2020, with detailed information on shippers' and importers' names and addresses. We aggregate the trade records to the firm (U.S. importer)-country (foreign)-product-semester (half-year) level. This data allows us to capture both the extensive margin (i.e., whether a firm imports from a country) and the intensive margin (i.e., the import volume and number of shipments) of trade decisions. Next, we obtain identities of firm CEO from Capital IQ People Intelligence, and identify their political affiliations using the voter registration records from L2, a non-partisan data provider used by political groups and academics to identify individuals' political affiliation (e.g. Spenkuch et al., 2023; Engelberg et al., 2022). Finally, we use the United Nations (UN) General Assembly Voting data to identify a country's ideological distance from the United States (Voeten, 2013; Bailey et al., 2017).

We start by verifying that an increasing ideological distance between the U.S. and a

foreign country is associated with a significant reduction in an average U.S. firm's import volume (as defined by the total volume and the number of shipments) from that country, although firms are not more likely to terminate trades from that country. This average effect masks important heterogeneity: Firms politically aligned with the U.S. administration are more likely to cut imports, both in the intensive and extensive margins, from countries with diverging ideologies from the U.S., compared with politically misaligned firms. A one-standard-deviation increase in the ideological distance between a foreign country and the U.S. leads to a 2 percentage points reduction in the likelihood of trade by aligned firms than misaligned firms. Conditional on having imports, aligned CEOs reduce import volume by 13% and the number of shipments by 7% more than misaligned firms, following the same increase in ideological distance.

Our analysis includes firm-product-time fixed effects, which allow us to compare imports from different countries by the same firm at the same time. These fixed effects also absorb any effects from time-varying firm conditions or changes in expectations or optimism at the firm level. We also include firm-CEO-country-product fixed effects, so we can track over time a firm's imports from a given country for the same product under the same CEO's leadership. Finally, we impose country-product-time fixed effects, which absorb any supply-side dynamics. These fixed effects help address concerns related to the matching between a firm and a source country, a source country's ability or decision to supply certain products, and changes in operation strategies arising from CEO turnovers. In later analysis, we further document that the effect of political alignment on import decisions is driven both by Republican firms under Republican administrations and by Democrat firms under Democrat administrations.

Despite the rigorous fixed effect structure, a remaining concern for our findings is that the ideological distances between the U.S. and foreign countries can be influenced by trade relations between U.S. firms and those countries (Kleinman et al., 2023). To address this concern, we use close presidential elections in foreign countries as quasi-exogenous shocks

to the ideological distance between those countries and the U.S. — Using elections with narrow winning margins helps eliminate concerns that elections results can be anticipated or predicted by pre-existing economic conditions, policy environments, or other unobserved factors driving both election outcomes and exports. Within the set of close elections (i.e., whose winning margins fall within the bottom quartile of all elections in our sample period), we differentiate elections that increase versus decrease the ideological distance of the election country from the U.S. We then study how firms change imports following distance-increasing relative to distance-decreasing elections depending on their political alignment with the U.S. administration. We find that, following narrowly won, distance-increasing elections, politically aligned firms reduce imports substantially more from the election countries, compared to politically misaligned firms. Importantly, such an effect does not show up in periods prior to the elections, but emerges immediately after the elections. The estimates suggest that politically aligned firms cut imports by around 40%-50% more following an ideological-distance-increasing election than politically misaligned firms.

Decisions by CEOs are subject to the oversight of the board of directors. We conjecture that CEOs' partisanship should play a weaker role when a vast majority of the board holds different political beliefs. To test this conjecture, we collect data on the political affiliation of each board member, and gauge to what extent board members share the partisan beliefs of the CEO. Indeed, we find that CEOs' partisanship loses its impact on firms' global supply chain decisions when over three quarters of the board are opposite-partisans to the CEO. This result also highlights the importance of political diversity among corporate leaders.

Our results so far suggest that CEOs aligned with the U.S. administration cut imports more from source countries with diverging ideologies from the U.S., compared to misaligned CEOs. How do such import decisions by aligned CEOs affect firm value? In other words, is friendshoring consistent with the corporate objective of maximizing shareholder value? To answer this question, we design two analysis. First, taking advantage of foreign elections as shocks to geopolitical tensions, we examine the changes in equity value around foreign

elections (i.e., "foreign election CARs" for firms that have import exposure to the electing country. For the average exposed firm, we find a small equity return response to both distance-increasing and distance-decreasing foreign elections. However, such responses differ significantly between aligned and misaligned firms, likely because shareholders expect those firms to respond differently to foreign elections. Following a distance-increasing election, aligned firms who source at least 1% of import from the electing country experience a significantly greater decline in equity value by 1.6 percentage points compared to misaligned firms with the same exposure. This magnitude jumps to 2.6 percentage points when we focus on firms with 5% of import exposure from the electing country. Importantly, the differential foreign-election CAR between aligned and misaligned firms is concentrated among firms where the majority of the board members are politically aligned with the CEOs.

Second, we compare the operating performance of aligned and misaligned firms when their import source countries become more antagonistic towards the U.S. Firm operating performance is measured by gross margin and profitability. We find that aligned firms have significantly worse performance than misaligned firms when their source country become more antagonistic towards the U.S.

These results suggest that shareholders view politically-motivated import reductions as value-destroying, either because they disagree with aligned CEOs' risk assessment or because they consider the friendshoring by aligned CEOs to be an economically suboptimal strategy.

We explore multiple potential explanations for why aligned firms conduct more friendshoring than misaligned firms: First, aligned firms may consider geopolitical tensions to be more "threatening" to their supply chains and make more drastic changes to their global sourcing operations to avoid such risks. To assess this explanation, we analyze firms' perceived geopolitical risk, measured based on their conference call transcripts (Caldara and Iacoviello, 2022). An obvious concern with comparing this measure across firms is that the average aligned and misaligned firms may face different geopolitical conflicts or import from different countries. Naturally, those firms may express different levels of geopolitical

concerns, even though partisanship does not alter firms' risk perceptions. To address this concern, we compute within-firm changes in geopolitical risk perceptions when firms' source countries host presidential elections that make the source countries more or less adversarial towards the U.S. (i.e., distance-increasing vs. distance-decreasing elections). We find that aligned firms express a greater increase in geopolitical risk concerns than misaligned firms following elections that led similar increases in the ideological distances between their source countries to the U.S. This heightened risk perception could explain why aligned firms adjust their supply-chain operations more in response to geopolitical tensions.

Second, aligned CEOs might reduce imports from adversarial countries to signal support for the administration's positions — a "follow-the-flag" effect. This explanation suggests that import decisions are shaped by partisan preferences instead of information or expectations regarding economic interests. To test this idea, we use CEO donations to veteran causes as a proxy for nationalistic preferences. We find our results to be substantially stronger among CEOs who donate to veteran causes, lending support to the "follow-the-flag" hypothesis.

Third, aligned CEOs might adjust their import strategies to protect the economic rents they receive from dealings with the government. We test this explanation by examining whether firms import more from ideologically-close countries when they have a government procurement contract. The idea behind this analysis is that government contracts are large, valuable purchase agreements, and a firm can more easily obtain government contracts, or obtain larger contracts if it is well connected with the U.S. government (e.g., Goldman et al., 2013; Esqueda et al., 2019; Brogaard et al., 2021). However, we find no evidence that government contractors — whether aligned with the administration or not — import less from ideologically distant countries than non-contractors. Aligned firms that are also government contractors do not cut imports more from ideologically distant countries either. This evidence does not support the "economic rent" hypothesis, although it does not fully rule out this explanation either.

Finally, we assess the concern that our results might be explained by a few large, promi-

nent U.S. firms showing active support for the U.S. government and in turn getting differential treatment from source countries. We partition our sample by firm size and find our baseline findings to prevail both among small firms and large firms.

We subject our findings to a battery of robustness tests. To start, we show that our results are robust to using different measures. This includes measuring import quantities using alternative metrics such as total shipment weights and the number of containers, measuring geopolitical tension using global conflict events from the GDELT project, and measuring firm partisan leaning with firms' political campaign contributions. Notably, in a "horse-race" regression including both CEO partisanship and firms' contribution alignment, CEO partisanship continue to generate significant effect. This suggests that CEOs play a unique role in shaping firms' supply-chain choices. It also helps allay the concern that our results might be driven by unobservable firm fundamentals. – If that were the case, such fundamentals would likely drive the effects from firm donations as well.

Next, we show that our baseline results are robust to alternative estimation and sample construction methods. The alternative methods include Poisson pseudo-maximum likelihood (PPML) (Cohn et al., 2022; Silva and Tenreyro, 2006) and the inverse hyperbolic sine transformation (Mullahy and Norton, 2024), which can accommodate zeroes in import quantities. Our results also hold when we drop imports from Canada and Mexico, from whom land-based transportation accounts for a significant fraction of total U.S. imports. We also verify that our results hold even when we exclude imports from China and Russia, which are discussed as the biggest antagonistic countries of the U.S. This finding suggests that CEOs' political ideology plays an important role for firms' decisions to import from many countries that are not extreme antagonists to the U.S. Finally, we show that our results remain robust in an annual panel instead of a semester panel.

This research contributes to the growing literature at the intersection of Political Economy and Finance. Recent work documents increasing polarization in the U.S. and its impact on economic decisions by households, firms, financial intermediaries, and regulators (Cook-

son et al., 2020; Engelberg et al., 2022; Meeuwis et al., 2022; Fos et al., 2022; Kempf et al., 2023; Gormley et al., 2021; Engelberg et al., 2022; Duchin et al., 2021). In the context of corporate decision-making, recent studies show that firm managers' partisanship affects investment and hiring decisions (Rice, 2020; Gift and Gift, 2015; Colonnelli et al., 2022), and there is a strong sorting effect even at the executive level (Fos et al., 2022). Gupta and Homroy (2024) and Chena et al. (2024) document that domestic customer-supplier relationships are influenced by political alignment. Our paper contributes to this literature by focusing on firms' global supply chain choices and documenting how the partisanship of corporate leaders influences firms' responses to geopolitical tensions.

Our results also expand the literature on how geopolitical ties affect trade and capital flows between countries. Studies have shown that political alignment between countries influences bilateral trade flows (Pollins, 1989a,b; Mityakov et al., 2013; Li et al., 2021; Qiu et al., 2024), foreign direct investment (Aiyar et al., 2024; Kempf et al., 2023), pricing of foreign equities and sovereign borrowing (e.g., Ambrocio et al., 2024; Ambrocio and Hasan, 2021), cross-border mergers and acquisitions activity (e.g., Aleksanyan et al., 2021), and macro trade and investment patterns (e.g., Gupta and Yu, 2007; Rose, 2007; Nitsch, 2007). Several recent papers have focused on specific geopolitical conflicts, such as the U.S.-China trade war and the sanctions to Russia, examining their impact on trade patterns (e.g., Handley et al., 2020; Corsetti et al., 2024; Li et al., 2024). Others have explored the role of other types of international relations in increasing trade frictions including cultural biases (Guiso et al., 2009); military hostility (e.g., Glick and Taylor, 2010; Martin et al., 2008); worsening consumer attitudes due to deteriorating relations (Michaels and Zhi, 2010); and ethnic differences (Aker et al., 2014). Our research makes a distinct contribution by documenting how geopolitical ties differentially affect firms based on their partisan alignment.

Previous research has examined how trade patterns of state-owned enterprises (SOEs) are more affected by political conflict than other types of firms (e.g., Fisman et al., 2014; Du et al., 2017; Davis et al., 2019). These studies suggest that governments have greater influence

in aligning the behavior of state-owned firms with state interests. Our work furthers this line of research by examining firm-level decisions. In particular, we show how private sector firms' trade decisions can be influenced by the political alignment of their leadership with the current administration and explore the underlying mechanisms driving this relationship.

2. Data and Sample Construction

2.1. Bill of lading (BoL) Data

We get the BoL data from S&P Panjiva, which provides transaction-level records of goods traded across countries, from 2007 (the first year data is available) to 2020. The BoL data has been used extensively by academics (e.g., Ganapati et al., 2021; Ayyagari et al., 2024) and has been described in detail in Flaaen et al. (2023). For each transaction, Panjiva provides the shipment origin location (country), arrival date, consignee information (name and address), product description, and quantity.

Panjiva acquires this data by collecting BoLs from U.S. Customs and Border Protection (CBP) and generates additional useful variables. Importantly, Panjiva translates the product descriptions in the BoLs to Harmonized System (HS) product codes and imputes a standard measure of volume, twenty-foot equivalent units (TEUs).

While maritime trade is the most important mode of transport for the U.S., accounting for nearly 50% of import transport by value in 2019, trade with Mexico and Canada is conducted almost entirely via land-based modes of transportation which is not covered in our data. We address this concern in Section 7.6 by showing that our results are robust when we exclude Mexico and Canada.

2.1.1. Identifying Public Firms and Initial Sample Construction

Panjiva includes a unique company identifier (*conpanjivaid*) that links importers (consignees) to their associated companies in S&P Capital IQ, but this link is available for only 10% –

15% of U.S. consignees. To expand this linkage, we created our own crosswalk between Panjiva consignees and S&P Capital IQ companies using two datasets: First, we use National Establishment Time-Series (NETS), a time-series database that provides establishment details using the D-U-N-S Number, which can be linked to Capital IQ companies using another database (BECRS, described below). Importantly, NETS contains annually updated parent-subsidiary relationships, allowing us to aggregate import data at the parent company level. Second, we use S&P Global Market Intelligence Business Entity Cross Reference Service (BECRS) that provides crosswalks across different firm identifiers, including links between D-U-N-S Number and Capital IQ identifier (*companyid*), and Compustat identifier (*GVKEY*). Appendix A provides a detailed description of the multi-step process to develop this crosswalk that matches U.S. consignees to *GVKEY* identifiers in the Compustat database.

We follow Smirnyagin and Tsyvinski (2022) and Bisetti et al. (2023) in constructing a sample that tracks firms' importing activity. We start with the universe of shipments imported by U.S. consignees, which is characterized by the importer name, the product (2-digit HS code), the origin country, and time. We drop observations with missing firm identifiers, match consignees to Compustat *GVKEY* as described above, and apply the following sample filters: (1) We drop firms making transactions less than 50% of the observations (country-product-time). This helps us focus on active importers. (2) We follow Smirnyagin and Tsyvinski (2022) and drop firms with big spikes in import volumes, where spikes are defined as variations exceeding three times the sample standard deviation.[4] (3) We drop logistics companies and firms in the transportation industry (SIC first digit = 4).[5] (4) We drop companies from the finance industry (SIC first digit = 6).

After these sample filters, we aggregate the remaining shipments into a firm-product-source country-semester (half-year) panel. We use semi-annual frequency for two reasons.

[4]This is because some firms may request that the U.S. Customs and Border Protection remove their identity in the shipper or consignee field. The request is fulfilled for two years before requiring renewal. As a result, import data for companies that request redactions may show spikes

[5]Logistics companies are identified by the list of the largest logistic firms in the U.S., complied by Armstrong & Associates, Inc., a leading third-party logistics market research company. We also drop companies where the importer's name contains the words "logistic", "distribution", or "freight."

First, we note that firms actively change their import decisions within a year. In Figure 3, we plot, for each semester, the percentage of firms in our sample making significant changes in import decisions. These changes include: importing from a new source country from which firms had no import during the previous year ("Add"), stopping imports from an existing source country in the next year ("Drop"), and both adding and dropping at least one country ("Add and Drop"). We find that within each semester, around 15–30% of firms drop a source country, and about 2–4% of firms add a source country, and around 1–3% firms do both. This suggests that U.S. public firms constantly switch the sources of imports, and there is rich within-year variation in such decisions. Second, using a semi-annual sample allows us to capture more granular variation of firm import decisions within a year. This frequency is also used in Kempf et al. (2022).

FIGURE 3 ABOUT HERE

We measure the quantity of firms' import of each product from a given source country in several ways. Our main measures include the number of shipments (*Shipments*) and the total volume (*Volume*) of imports. A shipment is the cargo, regardless of size, recorded in a single bill of lading. It is reflected as one line of record in Panjiva. Volume is measured by the number of Twenty-Foot Equivalent Unit (TEU), which is a unit of measurement for a ship's capacity. Note that the BoL records are based on shipments, and therefore an individual record (and hence unit of quantity) could be comprised of more than one (and often many) individual products. We equally allocate import volume for them when calculating the TEU volume, weight, and number of containers for each product. When calculating *Shipments*, we count it as one shipment for each product. In some cases, the TEU values can be missing when shipments are not containerized, such as oil imports.

We transform these quantity measures in log terms, e.g., *Log(1+Shipments)* and *Log(1+Volume)*. These measures can take both zero and positive values, and their variation thus captures both the extensive margin of import decisions (i.e., whether or not to import a product from a country) and the intensive margin (i.e., how much to import conditional on

having any import).

We next decompose the variation in import quantities into the extensive margin and intensive margin. At the extensive margin, we define *Have Import* as an indicator variable that equals one if a firm imports the product from a country in that semester, and zero otherwise. At the intensive margin, we look at *Log(Volume)* and *Log(Shipments)*, which only take non-missing values when a firm has decided to import a product from a foreign country (i.e., *Have Import*= 1)

In robustness checks, we use alternate measures including *Containers*, the total number of shipment containers; and *Weight*, the total shipment weight (in kilograms).

2.2. Identifying Political Partisanship of CEOs

We obtain the identities of firms' CEO and board members from Capital IQ People Intelligence. Specifically, we extract their name, date of birth, and gender, which will be used to match with the voting registration data to obtain political affiliation. The Capital IQ People Intelligence has a much larger coverage compared to other databases with information on CEOs such as Execucomp, which only covers S&P 1500 firms.[6]

Information on U.S. registered voters comes from L2, Inc. L2 assigns political affiliation to voters based on a number of sources including local election boards, exit polling, and commercial lifestyle data. This data is commonly used by researchers to identify an individual's party affiliation (Engelberg et al., 2022; Bernstein et al., 2022; Spenkuch et al., 2023; Fos et al., 2022). Specifically, we identify individuals' party affiliation using their voter registration records in primary elections. If a CEO is registered as Republican in a primary election, we consider this individual to be Republican. We drop the party switchers and construct a non-time-variant party affiliation measure.[7]

[6]Figure C1 compares the data coverage of Compustat U.S. firms' CEOs by Capital IQ People Intelligence and Execucomp. On average, firms that are covered by Execucomp but not by Capital IQ People Intelligence only account for 7% of the combined sample. However, more than 70% of firms are covered by Capital IQ People Intelligence but not by Execucomp.

[7]12% of our sample CEOs are party switchers. Consistent with our statistics, Fos et al. (2022) document

We follow the same steps described by Fos et al. (2022) to match CEOs to the L2 data. The matching is based on name, date of birth, gender, and the distance between the address of the firm and the resident address or mailing address. Among the firm-years in our sample, 66.8% of the CEOs can be matched with L2 data.[8] We exclude CEOs with missing affiliations. Our main variable of interest is *Aligned CEO*, a dummy variable that is equal to one if the CEOs party affiliation is the same as the current U.S. President and zero otherwise.

Merging firms' import records and CEO political affiliations leaves us with a firm-country-product-semester panel, which includes 708 firms importing from 96 countries across 93 unique products. The sample contains 110,644 observations, spanning from 2007 to 2020.

For robustness, we also measure firm partisanship based on campaign contributions. We define *Aligned Firm (Contribution)*, an indicator that turns to one if over 50% of a firm's political campaign contribution goes to the candidates affiliated with the President's party, and zero otherwise. We consider this an auxiliary measure but not the main measure because firms often contribute to both sides of the political spectrum (Cooper et al., 2010).

Finally, we gauge the partisan leaning of a firm's board of directors by looking up each board member and matching their identities to the L2 database following the analogous procedure as the matching for CEOs. We then calculate the percentage of board members that are affiliated with the CEO's party to gauge board-CEO alignment. In computing this measure, we only include Democrat and Republican board members, since it is unclear whether board members affiliated with "Other Party" are aligned or misaligned with CEOs of "Other Party."

that 12% of registered voters in Illinois switch between Democrat and Republican parties between 1976 and 2017.

[8]The matching rate is comparable to those in the existing literature. For example, Fos et al. (2022) are able to match 58% to 77% of all executives in Execucomp between 2014 and 2020 to L2, and Spenkuch et al. (2023) are able to link 67.5% of federal bureaucrats in the U.S. to L2.

2.3. Ideological Distance Based on UN General Assembly Voting

The ideological distance data come from Voeten (2013) and Bailey et al. (2017). This measure is computed based on countries' voting patterns in the United Nations General Assembly (UNGA) using the Ideal Points Distance (IPD) approach, which is commonly used in the political science literature (e.g., Gartzke, 1998; Alesina and Dollar, 2000; Dreher and Jensen, 2007). We provide a brief explanation of the Ideal Points Distance (IPD) approach below. A more detailed description is provided by Bailey et al. (2017).

For each resolution in the UNGA, member countries have three voting options: Yes (in favor), No (against), or Abstain.[9] The Ideal Points Distance (IPD) approach uses countries' voting records as inputs and constructs a time-varying measure of ideal points based on a Bayesian model. In this model, each country's vote on a resolution is a probabilistic outcome influenced by (1) the country's policy preferences, or "ideal point" (θ) and (2) the resolution's characteristics, such as how polarizing it is along the policy spectrum. Based on countries' actual votes, the algorithm uncovers the hidden parameters, including θ using Markov Chain Monte Carlo (MCMC) simulations. Each country is thus assigned an ideal point (θ) on an ideological spectrum based on how they vote in each UNGA session and we take the average of the estimated values of the ideal point for each country across all sessions within a year.[10]

The ideological distance between a foreign country and the U.S., *Distance*, is defined as the absolute value of the ideal points difference between the U.S. and the foreign country.

$$Distance_{US-j} = |\theta_{US} - \theta j|, \tag{1}$$

[9] Absences are recorded differently from an abstention and rather than reflecting a country's view, absences are typically due to a temporary lack of government due to civil war or coups or other conflicts (Voeten, 2013).

[10] The ideal point can take negative and positive values, whereby positive sign of the ideal point indicates alignment with the West, particularly the U.S. and its allies. While the exact numerical value can vary slightly across different years, the U.S. typically has the most positive ideal point in the dataset, meaning it is at the far-right end of the ideological spectrum. Other Western-aligned countries (e.g., Canada, the UK, and Australia) usually have positive ideal points as well, but not as extreme as the U.S. Countries that frequently oppose U.S. positions (e.g., Russia, China, Iran) tend to have strongly negative ideal points. Countries with ideal points near zero are more centrist or exhibit mixed voting behavior, depending on the issue.

where θ_{US} and θ_j are the ideal points of the U.S. and the foreign country respectively. A smaller distance indicates similar policy preferences, while a larger distance suggests divergent preferences.

Compared to just counting voting coincidence, this approach provides a more nuanced measure of country positions, separating real preference changes from changes in what is being voted on. For example, it accounts for the varying importance of different resolutions and their polarizing nature and allows for a dynamic representation of country preferences over time. Several studies (e.g., Voeten, 2013; Bailey et al., 2017; Häge and Hug, 2016) show that IPD does not conflate shifts in the global agenda or topics discussed at the UN with genuine shifts in geopolitical preferences between countries.

2.4. Other Data on Geopolitics

We complement the existing measure of geopolitical distance between U.S. and foreign countries using the GDELT dataset (Leetaru and Schrodt, 2013; Gleditsch et al., 2014; Davis et al., 2019; Li et al., 2021). The GDELT database collects over 200 million global events from 75 international news sources since 1979. It adopts the Conflict and Mediation Event Observations (CAMEO) coding scheme, assigning each event a Goldstein score from -10 to 10 capturing the theoretical potential impact that type of event will have on the stability of a country. Negative values indicate conflict events. We follow Li et al. (2021) and sample on "government" events, i.e., events initiated by the government of one country toward another country. Events related to trade, business, and economics are dropped to avoid endogeneity.[11] From the sample CAMEO events, we compute the percentage of events between the U.S. and a source country that have negative Goldstein scores (*%Conflict Event*).

We collect foreign election data from the Manifesto Project Database (MPD) as well as

[11]Specifically, we drop events that fall into the following categories: Demand economic cooperation; Demand economic aid; Demand easing of economic sanctions, boycott, or embargo; Reject economic cooperation; Reject request for economic aid; Refuse to ease economic sanctions, boycott, or embargo; Reject plan, agreement to settle dispute; Threaten to boycott, embargo, or sanction; Reduce or stop economic assistance; Impose embargo, boycott, or sanctions.

the PalGov dataverse. The MPD collects election date and votes for each party. Combining with the source countries in our import sample, we are able to obtain election information from 47 source countries. Those countries predominantly have parliamentary governments. We then verify whether the elected prime minister comes from the winning party, i.e., party with the highest vote share, by cross-validating the election results with the PalGov dataverse (Kempf et al., 2022).

3. Descriptive Patterns

3.1. Summary Statistics

Table 1 provides the summary statistics of the main variables used in our study, including firms' import decisions and quantities, as well as CEO political ideology. In our sample, *Have Import* has an average value of 73.7%, suggesting that the average firm maintains some import from 73.7% of foreign countries and products. The average import for a firm-country-product pair has a volume of 36.25 TEUs and 9.81 shipments during a semester. The majority of CEOs in our sample are Republicans (69.3%) and only around 26.4% are Democrats with the rest being affiliated with other parties. In 45.4% of the observations, *Aligned CEO* equals one, representing a firm having a CEO affiliated with the same party as the U.S. President. The ideological distance between the U.S. and other countries is 2.65 but ranges between 0.11 (U.S. and Israel in 2020) to 4.62 (U.S. and Zimbabwe in 2017).

Table 1 About Here

3.2. Ideological Distance and Import Decisions

Figure 4 illustrates the temporal variation in firm import patterns, measured both in levels of shipping volume and number of shipments. These metrics show significant fluctuations over time, including a substantial recovery in late 2012 following the great trade collapse of

2008-09 - a pattern documented in numerous studies, including Ahn et al. (2011), Levchenko et al. (2010), and Baldwin (2009). The subsequent decline in the later part of the decade has been similarly noted in recent research by Flaaen et al. (2023), who also demonstrate that Panjiva's bill of lading data closely tracks Census Bureau statistics on containerized vessel imports. Moreover, they find that these BoL aggregates correlate strongly with total U.S. goods import value, despite the latter including non-maritime trade, suggesting that the BoL data effectively captures broad patterns in U.S. trade dynamics.

FIGURE 4 ABOUT HERE

Figure 5 plots in binscatter format the association between the aggregate import quantities by our sample firms from a foreign country and the ideological distance between the U.S. and that foreign country. The top (bottom) row of figures reports the correlation for import volume (shipments). Within each row, we first present this relationship for all U.S. firms in our sample (Panels A and D) and then separately for aligned firms (Panels B and E) and misaligned firms (Panels C and F). There is a clear, negative association between import quantity and ideological distance at the aggregate level. This negative relationship seems considerably stronger for aligned firms than for misaligned firms.

FIGURE 5 ABOUT HERE

We next analyze the relationship between ideological distance and firm imports using the following specification:

$$Import_{ipct} = \beta_1 Distance_{ct} + \phi_{ipt} + \gamma_{icp} + \epsilon_{ipct} \tag{2}$$

where $Import_{ipct}$ is the import of product p by firm i from country c during time t (in semesters), and it is one of the following variables: *Log(1+Volume)*, *Log(1+Shipments)*, *Have Import*, *Log(Volume)*, or *Log(Shipments)*; and $Distance_{ct}$ is the time-varying political ideological distance between the US and the foreign country (c). This analysis includes

various fixed effects, including firm × product × time fixed effect (ϕ_{ipt}) and firm × country × product fixed effects (γ_{icp}). Standard errors are double clustered at the country and firm level.

Table 2 reports the results. Panel A reports the results on *Log(1+Volume)* and *Log(1 + Shipments)*, while Panel B reports separately the extensive margin (*Have Import*) and intensive margin effects (*Log(Volume)*, and *Log(Shipments)*). Consistent with the graphical patterns, our results suggest that the ideological distance between the U.S. and a foreign country generates a strong and negative impact on firms' import quantities, both in terms of total volume and the number of shipments. Interestingly, this negative relationship exists only in the intensive margin, but not on the extensive margin, i.e., a firm's decision to import from that country.

TABLE 2 ABOUT HERE

3.3. CEO Partisanship and Import Decisions

We further explore through several avenues whether the political ideology of the CEO alone affects firms' import decisions. First, we examine whether firms with aligned and misaligned CEOs have different tendencies to import from foreign countries. Next, we examine whether firms with Democrat or Republican CEOs import more or less compared to firms with CEOs affiliated with neither party. Finally, we further partition observations by the party affiliation of CEOs and the party of the U.S. President. Results are reported in Table C1.

We see that firms headed by Democrat CEOs import more on average compared to firms with non-Dem and non-Rep CEOs, irrespective of the party of the U.S. administration. However, this effect is not consistently statistically significant. There is also no significant difference between the import likelihood or quantity between Democrat and Republican CEOs. We do not find CEOs' political alignment to affect import decisions either.

4. Main Results

4.1. Politically Alignment and Friendshoring

In this section we investigate if CEOs who are politically aligned with the U.S. administration are more likely to restrict trade from countries that become adversarial to the U.S. We estimate the following specification:

$$Import_{ipct} = \beta_1 Distance_{ct} + \beta_2 AlignedCEO_{it} \times Distance_{ct} + \phi_{ipt} + \gamma_{icp} + \tau_{cpt} + \epsilon_{ipct} \quad (3)$$

where $Import_{ipct}$ and $Distance_{ct}$ are defined as in Equation (3). As in Equation (2), we control for firm × product × time fixed effect (ϕ_{ipt}) and firm × CEO × country × product fixed effects (γ_{icp}). We further layer on country × product × time fixed effects.

The coefficient of interest is β_2, which captures the incremental effect of CEO political ideology on the sensitivity of import decisions to ideological distance from the source country to the U.S. The main effect of *Aligned CEO* is absorbed by firm × product × time fixed effects. Standard errors are double clustered by source country and firm.

Results are reported in Table 3. Panel A reports the results for overall import quantities, *Log(1+Volume)* and *Log(1+Shipments)* that incorporate both the intensive and extensive margin effects. Panel B estimates those effects separately, including *Have Import*, *Log(Volume)* and *Log(Shipments)*. In each panel, we add controls and fixed effects in stages. In column (1), we include firm × product × time fixed effects, whereby time is measured by semesters (half-years). This set of fixed effects helps control for time-varying firm demand for a product. We also include firm × CEO × country fixed effects to eliminate time-invariant factors affecting firms import of a product from a country as well as changes associated with CEO turnover within a firm. In column (2), we add firm × CEO × country × product fixed effects, which allow us to track the within-firm-product-country-pair variation over time. In column (3), we add further country × product × time fixed effects to remove confounding

dynamics at the country-product level, such as tariffs levied on the product from the country and the country's ability to supply product during time t.

TABLE 3 ABOUT HERE

Across all measures of import decisions and regression specifications, we document a negative and statistically significant coefficient for *Distance* × *Aligned CEO*. The economic effects are sizable. The estimates in Panel A, column (3) indicate that a one-standard-deviation increase in ideological distance between a foreign country and the U.S. is associated with a 9% greater decline in the import volume from that country by firms with aligned CEOs than by firms with misaligned CEOs. Estimates in column (6) suggest that the same increase in ideological distances is associated with a 7% differential effect between aligned and misaligned firms in terms of the number of shipments.

In Panel B, we find that a one-standard-deviation increase in ideological distance between a foreign country and the U.S. leads to a 2 percentage points incremental decline in the import likelihood by a firm with an aligned CEO from that country, compared to a firm with a misaligned CEO. This accounts for about a 5% reduction relative to the standard deviation of the dependent variable.[12]

Results from the intensive margin (columns (6) and (9) of Panel B) suggest that a one-standard-deviation increase in ideological distance is associated with around a 13% greater reduction in import volume and a 7% greater reduction in import shipments.[13]

Given that *Volume* and *Shipments* follow skewed distributions, we use a Poisson regression approach and Inverse Hyperbolic Transformation to estimate how they change with ideo-

[12]The economic effects on the extensive margin are very consistent with Mityakov et al. (2013), who also examine UN voting-based ideological distance and find an estimated impact of 2 percentage points on trade likelihood. Moreover, when including fixed effects, Mityakov et al. (2013) report a 60% increase in the magnitude of the effect, suggesting that unobserved firm-level factors may amplify the impact of political misalignment. In the broader literature, our extensive margin results align with studies on political conflicts and trade disruptions (e.g., Heilmann, 2016; Fuchs and Klann, 2013).

[13]The intensive margin economic effects are in line with findings from Mityakov et al. (2013) who estimate that a 1 standard deviation increase in ideological distance (0.18) leads to a trade decline of around 20%. They report that the effect is much stronger in sector-specific cases, with a 70% decline for petroleum imports, suggesting that politically sensitive industries may experience greater disruptions. Heilmann (2016) also reports trade disruptions of 2% to 18% due to consumer-driven political actions.

logical distances between a foreign country and U.S. (Cohn et al., 2022). Table E2 reports the results. Consistent with the OLS estimates, *Aligned CEO* × *Distance* continues to generate negative and significant coefficients in Poisson regressions, with similar economic significance.

In Table 4, we repeat the same specification as outlined in Equation (3), while replacing CEO alignment using the CEO party affiliation itself. The coefficients of interest are the interaction terms *Rep CEO*×*Distance* and *Dem CEO*×*Distance*, where *Rep CEO* and *Dem CEO* are indicators for whether a CEO is registered with the Republican party and the Democratic party, respectively. The absorbed baseline interaction term is CEOs registered with other parties. We do not find any effect from CEOs' party affiliation itself. This indicates that our results are not driven by whether CEOs hold conservative beliefs, but rather by their political alignment with the U.S. administration.

TABLE 4 ABOUT HERE

4.2. Identification using Close Foreign Elections

Our baseline analysis imposes high-dimensional fixed effects to address numerous confounding factors, such as the choice of products to import by a firm, the time-invariant characteristics of a firm-source country pair, and firms' time-varying conditions, including the overall demand for imported goods. However, a remaining concern with our findings is that a foreign country's alignment with U.S. votes in U.N. meetings may depend on the trade relations between them, which, in turn, can be influenced by the import decisions of major U.S. companies.

We address this concern by utilizing close foreign elections as quasi-exogenous shocks to foreign countries' political ideology (Kempf et al., 2023) and examine how U.S. firms' import pattern changes after the elections. The rationale behind this analysis is that foreign elections lead to sharp changes in countries' political ideology, which in turn can alter their relationship with the U.S. government. In Table D1, we provide evidence that the ideological

distance between a foreign country and the U.S. significantly changes following an election.

We define close elections as those whose winning margins fall in the bottom quartile across all foreign elections in our sample.[14] We expect stronger effects for close elections as the election outcome is not anticipated.

We construct a time window around each close foreign election. To get a clean event window for an election e in country c, we require there to be no other elections from country c, no party-switching U.S. election during the time window, and no switching of CEOs for the firm. This ensures that the foreign election only affects the ideological distance between the U.S. and the foreign country, but does not switch the alignment between a firm and the U.S. President. Since the election cycle varies across countries, the length of the time window for each election could be different. Most of the observations fall into the $[-4, +4]$-semester window around the election. When analyzing the dynamic effects, we pool observations with $t < -4$ into the $t = -4$ group, and $t > 4$ into the $t = 4$ group.

Following the election, a foreign country may have moved closer to or farther away or remain unchanged from the U.S. in terms of ideology. We thus consider them separately and compare them to each other. We calculate the average ideological distance between the foreign country and the U.S. before and after the foreign election during the [-4, +4]-semester event window, and take the difference between the two. Specifically, we define $\Delta Distance$ as the difference between the average ideological distance before and after the foreign election during the time window. We also define an indicator $Distance\ Increase$, which equals one when a foreign election increases the ideological distance between the U.S. and that country.

For each election event, we form an event-specific sample by gathering all firm-product pairs where the firm imported that product at least once from the foreign country during the two-year window surrounding the election. We also only keep firms with Democrat and Republican CEOs to simplify the event study (Dagostino et al., 2023; Kempf et al., 2023). We then stack together the event samples across all election events, forming a stacked event

[14] In our sample, the cutoff of winning margin at the 25^{th} percentile is 4%.

sample. This sample helps address concerns related to differential treatment timing in the generalized difference-in-difference framework.

Before studying the differential effects of distance-increasing elections on aligned and misaligned firms, we first check their effect on the average firm. In Appendix Figure D1, we do not find that the average firm in our sample cuts imports from countries that experienced distance-increasing elections relative to distance-decreasing elections.[15] This could indicate heterogeneous responses from aligned and misaligned firms.

We examine the differential response of aligned and misaligned CEOs to exogenous shocks to ideological distances by estimating the following triple-difference model:

$$Import_{eipct} = \beta Aligned\,CEO_{it} \times Distance\ Change_{ect} \times Post_{e,t} + \delta Aligned\,CEO_{it} \times Post_{e,t} + \gamma_{iep} + \phi_{ipt} + \tau_{ept} + \epsilon_{ipct}, \quad (4)$$

where *Post* indicates semesters after an election. *Distance Change* can take the form of continuous changes in distance, i.e., $\Delta Distance$ or the binary variable, *Distance Increase*, which turns to one if a close election increases the ideological distance between a foreign country and the U.S. Our estimation includes a similar set of fixed effects used by Kempf et al. (2023): firm-election-product (γ_{iep}) fixed effects, firm-product-time (ϕ_{ipt}) fixed effects, and election-product-time (τ_{ept}) fixed effects.

Columns (1) and (3) of Table 5 report the results with the $\Delta Distance$ measure. Consistent with the implication from the baseline analysis, we find significant, negative coefficients for β, suggesting that politically aligned CEOs reduce imports more than misaligned CEOs from countries that become equally more adversarial towards the U.S. Columns (2) and (4) present similar results from the *Distance Increase* measure. The estimates suggest that aligned CEOs reduce import volume by around 40–45% more than misaligned CEOs from

[15] This result differs from those in Table 2, which documents a negative correlation between ideological distances and U.S. firms' import volume. This disparity suggests that the correlational evidence is subject to endogeneity concerns.

a country that experienced a distance-increasing election, compared to those experiencing distance-decreasing elections.

TABLE 5 ABOUT HERE

Next, we investigate the dynamic effect of close foreign elections on the import decisions of politically aligned and misaligned firms. Specifically, we estimate the following model:

$$Import_{eipct} = \sum_{k=-4}^{4} \beta_k Aligned\ CEO_{it} \times Distance\ Change_{ect} \times 1_{t=t_e+k} + \sum_{k=-4}^{4} \delta_k Aligned\ CEO_{it} \times 1_{t=t_e+k} + \gamma_{iep} + \phi_{ipt} + \tau_{ept} + \epsilon_{ipct}, \quad (5)$$

where k indicates semesters in an event-window, e indicates a close election, and t_e indicates the semester of the close election. Parameter $1_{t=t_e+k}$ is an indicator that equals one if the current semester t is semester k following the election semester. The triple interaction coefficients β_k indicate the differential response between aligned and misaligned CEOs towards distance-increasing elections.

Figure 6 reports the results from this event study. Each row represents a dependent variable, and each column represents the coefficients of $Aligned\ CEO_{it} \times \Delta Distance_{ect} \times 1_{t=e_t+k}$ and $Aligned\ CEO_{it} \times Distance\ Increase_{ect} \times 1_{t=e_t+k}$, respectively.

We show that, prior to a close election, firms with politically aligned CEOs do not change their import decisions in ways that are different from firms with misaligned CEOs. The lack of pre-trend is reassuring, suggesting that the election results are not well-anticipated, or driven by slow-moving economic conditions. Following a distance-increasing election, politically aligned CEOs substantially reduce import from the election country more than politically misaligned CEOs. The reduction in import volume exceeds 50% in the third semester after an election, and ranges between 40–50% for import shipments.

FIGURE 6 ABOUT HERE

Finally, we separately examine the dynamic impacts of distance-increasing and distance-decreasing elections on firm import decisions. Separating these two types of elections helps reveal whether increases and decreases in ideological distances generate symmetric effects. We estimate the following model:

$$Import_{eipct} = \sum_{k=-4}^{4} \gamma_k Aligned\ CEO_{it} \times Distance\ Increase_{ect} \times 1_{t=e_t+k}$$
$$+ \sum_{k=-4}^{4} \delta_k Aligned\ CEO_{it} \times Distance\ Decrease_{ect} \times 1_{t=e_t+k} + \gamma_{icp} + \phi_{ipt} + \tau_{cpt} + \epsilon_{ipct}, \quad (6)$$

where γ_k and δ_k capture the differential import adjustments between politically aligned and misaligned CEOs following distance increasing close elections and distance-decreasing close elections, respectively.

Figure 7 depicts the estimates from this analysis. Panel A reports the results for *Log(1+Volume)*, and Panel B reports results for *Log(1+Shipments)*. Patterns from our event study suggest that import quantity responds to distance-increasing and distance-decreasing elections in similar ways. Politically aligned firms shrink import volume more than misaligned firms following distance-increasing elections, and raise import volume more following distance-decreasing elections. It is also reassuring that we do not detect any pre-trends for either outcome variable or election type.

FIGURE 7 ABOUT HERE

4.3. The Role of Board of Directors

A long literature in corporate governance documents that the board of directors have important influence over corporate decisions, both directly and through disciplining executives. We gauge the moderating role of the partisanship of the board. We conjecture that CEOs' partisanship should matter less in shaping firms' global supply chains when the board of

directors do not share the same political views as the CEO. To do so, we search for the voter registration records of each of the firm's board members in L2, and divide the board into 4 groups based on the percentage of board members that are affiliated with the same party as the CEO, i.e., 0–25%, 25–50%, 50–75%, and 75–100%. We then define a dummy variable indicating whether the firm falls into each quartile group.[16] We estimate the following model to test our conjecture:

$$Import_{ipct} = \sum_{k=1}^{4} \beta_k Distance_{ct} \times 1_k + \sum_{k=1}^{4} \delta_k Aligned\ CEO_{it} \times Distance_{ct} \times 1_k + \phi_{ipt} + \gamma_{icp} + \tau_{cpt} + \epsilon_{ipct}, \quad (7)$$

where $k(= 1, 2, 3, 4)$ indicates one of the four groups for the percentage of board members in alignment with the CEO. The coefficient of interest is δ_k, which indicates the moderating effects of board-CEO alignment in affecting partisan CEOs' responses to geopolitical risk. In this analysis, we only include sample firms with CEOs affiliated with the Democrat or Republican party, and with at least one board member affiliated with the Democrat or Republican party.

Figure 8 plots the estimates of δ_k from this analysis for the four groups. We find that "friendshoring" is absent among firms where the vast majority of board members have contrasting political views to those of the CEO, i.e., over three quarters of board members are affiliated with the opposite party. This result suggests that CEOs' powers are constrained by board members when they hold drastically different political beliefs. In light of the growing polarization among corporate leaders (Fos et al., 2022), this result highlights the perils of forming "echo chambers" among decision-makers of the firm.

FIGURE 8 ABOUT HERE

[16] Note that there is some correlation between CEOs' partisanship and board partisanship, consistent with the trend of decreasing political diversity among corporate leadership (Fos et al., 2024).

In Appendix Table C3, we compare the effects of CEO political alignment and board alignment with the U.S. President. We find that CEOs' alignment significantly affects friendshoring strategies, while board alignment does not. This suggests that CEOs' political beliefs are unique determinants of global supply-chain decisions, even when one accounts for the political leanings of board members.

5. "Friendshoring" and Shareholder Value

How do firms' import responses to geopolitical tensions impact shareholder value? The answer is far from obvious. Friendshoring can improve firm value if shareholders of aligned companies agree with their CEO that it is risky to maintain importing from antagonistic countries. It can also decrease equity value if aligned CEOs cut import from antagonistic countries for sentimental, non-economic reasons, or if shareholders perceive the benefits and costs of friendshoring differently from their CEO.

We answer this question using an event study. We focus on foreign elections that increase or decrease the ideological distances between the corresponding foreign countries and the U.S., and compute the cumulative announcement returns (CARs) of firms that have import exposures from the election countries. As discussed in Section 4.2, foreign elections are classified as distance-increasing or decreasing. Specifically, *Distance Inc* (*Distance Dec*) equals one if an election increases (decreases) the ideological distance between that foreign country and the U.S., and zero otherwise. CARs are computed based on the abnormal returns against the Fama-French three-factor model during the [-5, +5]-day window centered on the election date.

Similar to Section 6.1, we perform these analyses on three sets of firms. The first set of firms sourced at least 1% of their imports from the electing countries during the year before the election (*Affected Firms*). Next, we consider firms that sourced at least 5% of their import from the electing countries in the pre-election year (*Heavily Affected Firms*). Finally, we look at a placebo sample consisting of firms for whom less than 1% of the import comes

from any electing countries (*Unaffected Firms*).

In Panel A of Table 6, we provide an initial summary of the average CARs across all affected firms around distance-increasing and distance-decreasing foreign elections. We find that foreign elections generate economically small effects on the equity value of the average firm. In particular, firms affected by distance-decreasing elections experience a value gain of about 0.44 percentage points, while those affected by distance-increasing elections experience no significant changes in value. There is no statistically significant difference between the two types of elections in terms of their impact on firm value.

TABLE 6 ABOUT HERE

However, the average effect may mask important heterogeneity across aligned and misaligned firms. We next regress firm CARs around the election on the interaction *Aligned CEO* × *Distance Inc* and *Aligned CEO* × *Distance Dec*. These two terms represent the decisions by aligned CEOs following distance-increasing and distance-decreasing elections, absorbing the main effect of *Aligned CEO*. The regression controls for election fixed effects and firm fixed effects, thus absorbing the main effect of *Distance Inc*, and *Distance Dec*. Standard errors are double clustered by firm and the electing country.

Results are presented in Panel B. While firms exposed to distance-increasing elections do not experience any equity value loss, those with politically aligned CEOs do. Among affected firms (i.e., 1% import exposure), distance-increasing elections reduce the equity valuation of aligned firms by 1.6 percentage points more compared to misaligned firms.[17] This gap in value loss reaches 2.6 percentage points among heavily affected firms (i.e., 5% import exposure).[18] These results suggest that friendshoring can be detrimental to shareholder

[17]Interestingly, the average aligned firms in the CAR sample are exposed to a lesser increase (0.113) in the ideological distance between the source country and the U.S. compared to misaligned firms (0.143). This suggests that we might be capturing a lower bound of the effect of CEO alignment.

[18]These magnitudes closely align with Fisman et al. (2014), who find that Japanese firms with high exposure to China saw stock value declines of 0.8% to 2.1% during periods of heightened Sino-Japanese tensions. Our results also compare to Wagner et al. (2018) who report that firms with significant foreign operations experienced a 2.15 percentage point lower cumulative return through year-end after Trumps election relative to domestically focused firms. Additionally, our estimates fall within the broader literature on political connections. For example, Fisman (2001) finds that the loss of political ties led to a 0.28

value. A potential explanation is that shareholders do not share the nationalistic preferences of their CEOs or agree with their perception of future supply chain risk. In contrast, there is no effect from either distance-increasing or distance-decreasing elections among unaffected firms (i.e., less than 1% import exposure). This helps allay the concern that our results might reflect the generic effect of global conflicts on partisan firms.

6. Economic Mechanisms

In this section, we explore potential mechanisms that could contribute to our findings. We consider three specific mechanisms. First, aligned firms may perceive higher levels of geopolitical risk. Second, aligned CEOs may cut import from antagonistic countries because of nationalistic or patriotic feelings. Third, aligned CEOs may weaken trade relations from ideologically distant countries to capture or preserve economic rents arising from their alliance with the U.S. government. We discuss these mechanisms in turn.

6.1. Perceived Geopolitical Risk

We assess whether aligned CEOs perceive higher geopolitical risks than misaligned CEOs following a rise in geopolitical tensions along their supply chain. We rely on a measure of firms' geopolitical risk perceptions (GPR) that is constructed by counting the mentions of adverse geopolitical events and risks in firms' quarterly earnings calls (Caldara and Iacoviello, 2022). We do not directly compare the geopolitical risks by aligned and misaligned firms, as such cross-sectional comparisons may capture heterogeneity in firms' supply chain structure and other intrinsic characteristics.

Instead, we examine within-firm changes in geopolitical risk perceptions following changes in geopolitical tensions in their supply chain. Similar to our dynamic analysis in Section 4.2,

percentage point decline in Indonesian firms' stock prices, though the effect could be significantly larger in the case of a sudden regime shift. Likewise, Goldman et al. (2009) show that after the Republican victory in the 2000 U.S. Presidential Election, misaligned firms (based on political donations) lost over 3% of their value.

we rely on distance-increasing foreign elections in firms' source countries as quasi-exogenous shocks to their exposure to geopolitical tension. We construct a firm-by-election panel and perform these analyses on three sets of firms. The first set of firms sourced at least 1% of their imports from the electing countries during the year before the election (*Affected Firms*). Next, we consider firms that sourced at least 5% of their import from the electing countries in the pre-election year (*Heavily Affected Firms*). Finally, we look at a placebo sample consisting of firms for whom less than 1% of the import comes from any electing countries (*Unaffected Firms*).[19] Using an event-study approach, we estimate the following regression:

$$\Delta GPR_{i,t_e} = \beta_1 Distance\ Inc_{c,i,t} \times Aligned\ CEO_{i,t_e} + \beta_2 Aligned\ CEO_{i,t_e} + \alpha_i + \tau_e + \epsilon_{i,t} \quad (8)$$

where i represents a firm, e an election and t_e the year of the election. $Distance\ Inc_{c,i,t}$ is an indicator equal to one if a source country of firm i experiences an election that pushes it away from the U.S. in terms of voting ideology.[20] $\Delta GPR_{i,t}$ is the change in firm i's average perceived geopolitical risks one semester (two quarters) before and after the foreign election. Given that a firm can be exposed to more than one foreign elections, and an election can affect multiple firms, we control for both firm fixed effects and election fixed effects. Standard errors are double clustered by firm and the election country. The coefficient of interest is β_1, which represents the differential perceptions by aligned and misaligned firms facing the same change in geopolitical tension from source countries.

Results are presented in Table 8. Columns (1) and (2) report results for affected firms

[19] For the foreign election sample that includes all U.S. firms that sourced at least 1% of their import volume from the election country during the year preceding the election, it includes 595 firms and 89 elections from 42 countries. We then track firms' expressed concerns regarding *GPR* around from the semester before to the semester after the elections. Requiring firms to have *GPR* data leads to a sample of 405 firms and 76 elections from 42 countries, totaling 1,256 observations. Including fixed effects drops singletons which reduces the regression sample size.

[20] We verify that the average aligned and misaligned firms are exposed to similar increases in geopolitical distances between their source country (the election country) and the U.S. Specifically, aligned firms experience a 0.065 increase in ideological distance, while misaligned firms experience a 0.072 increase. The difference (0.007) is economically small and statistically insignificant.

(i.e., 1% import exposure), columns (3) and (4) report results for heavily affected firms (i.e., 5% import exposure) and columns (5) and (6) report results for unaffected firms (i.e., less than 1% import exposure). In each sample, we progressively include more fixed effects, starting with the year of the election fixed effects and firm fixed effects, and finally controlling for election fixed effects and firm fixed effects. Across both samples of affected firm and all specifications (i.e., columns (1) to (4)), we find a significant, positive coefficient on *Distance Inc* $\times$ *Aligned CEO*, suggesting that aligned firms perceive heightened geopolitical risk following distance-increasing elections from source countries. In contrast, there is no such differential effect among unaffected firms (i.e., less than 1% exposure). This result lends some support for the risk-perception explanation.

TABLE 8 ABOUT HERE

6.2. CEO Donations to Veteran Causes

We next evaluate the explanation that aligned CEOs may cut imports from antagonistic countries to show support for the administration. This channel is unrelated to risk perceptions or information about future gains from trade, but may arise from nationalistic preferences or patriotic feelings. This argument implies that among aligned CEOs, those with stronger nationalistic or patriotic views should be more likely to "friendshore."

We gauge CEOs' nationalistic preferences and patriotism by whether they contribute to Veteran causes. Individuals' donation data come from L2. We regress firms' import decisions on the triple interaction of *Distance*, *Aligned CEO*, and *Veteran Donor*, an indicator for whether a CEO donates to veteran causes. In our sample, around 2.93% of the observations are associated with veteran donors. Table 9 reports the results. Across all measures of import decisions, our results are significantly stronger among veteran donors than non-donors. Our evidence is in support of the "following-the-flag" effect, whereby aligned firm CEOs support the U.S. administration by adjusting firm policies towards the directions advocated by the

administration.

TABLE 9 ABOUT HERE

6.3. Preservation of Economic Interest

The third mechanism suggests that politically aligned managers may seek to preserve economic rents from their relationships with the U.S. government by shifting their global supply chain networks away from countries exhibiting increasing tensions against the U.S. In the absence of direct measures for firm-level political rents, we compare firms with and without government procurement contracts. Government contracts are highly valuable purchase agreements, and the allocation of government contracts has been shown to be associated with political connections and favoritism (Goldman et al., 2013; Esqueda et al., 2019; Brogaard et al., 2021). Thus, if firms indeed organize their global supply chain choices to preserve political rents, we expect aligned firms who are also government contractors to exhibit a stronger response compared to other aligned firms.

To test this idea, we regress firm import decisions on the interaction of *Aligned CEO* with an indicator variable *Have Gov Contract*, which turns to one if a firm has any government contracts during the previous three years, and zero otherwise. We do not observe significant differences between firms with and without government procurement contracts. These findings cast doubt on the economic-rent-preservation argument, i.e., that our results are driven by aligned CEOs seeking to preserve political rents.

TABLE 10 ABOUT HERE

6.4. Influence of Large Firms

Finally, we consider the possibility that our findings may be driven by some U.S. firms having sizable influence over geopolitical events and concurrently receiving special treatments in countries where they source inputs. This argument suggests that our effects should be

concentrated over large firms and nearly absent among smaller firms. To assess this argument, we separately examine the effect for large and small firms, whereby large (small) firms are defined based on asset sizes being above (below) or below the sample median. Results in Table 11 suggest that the overall effects are similar in large and small firms. This finding helps address the concern that our findings are purely driven by the political influence of mega firms.

TABLE 11 ABOUT HERE

Interestingly, geopolitical tensions significantly reduce the likelihood of import (i.e., extensive margin) only for large, aligned firms, but not for small ones. This contrast likely indicates that large firms have more global sourcing options and can more easily switch source countries than small firms.

7. Additional Analyses and Robustness

In this section, we present numerous additional analyses, examining the robustness of our results across alternative measures, estimation methods, and sampling choices.

7.1. An Alternative Measure of Geopolitical Conflicts

We examine the robustness of our results to other measures of geopolitical conflicts. Instead of measuring conflicts between a source country and the U.S. using the UNGA voting patterns, we utilize the GDELT Project data that gathers global events through international news sources. As explained in Section 2.4, we focus on conflict events initiated by governments, and compute the share of bilateral events between the U.S. and a source country that represent governmental conflicts. We then re-estimate Equation (3), regressing firm import quantities on the interaction between *Aligned CEO* and *%Conflict Event*.

Table 12 reports the results. We do not find *%Conflict Event* to generate a significant effect on the imports of the average U.S. firms. However, the coefficients on *Aligned CEO* $\times$

%Conflict Event are significantly negative, indicating that a 10-percentage-point increase in the share of conflict events is associated with a 10% reduction in import volume, and a 5% reduction in import shipments by aligned CEOs relative to misaligned CEOs. This result is reassuring as it indicates that our findings are not purely driven by idiosyncratic errors in voting decisions at the General Assembly, but instead shaped by international conflicts.

TABLE 12 ABOUT HERE

7.2. An Alternative Measure of Firm Partisanship

We consider an alternative measure of firms' partisanship utilizing the contribution made by a firm to political campaigns (Goldman et al., 2009; Babenko et al., 2020). A firm is classified as Democratic (Republican) if the majority of its campaign contribution goes to the Democratic (Republican) party candidates. Political alignment is then measured as whether the firm's party coincides with the President's party (i.e., *Aligned Firm (Contribution)*).

We note some potential drawbacks in measuring firms' political leaning based on campaign contributions. First, only around 25% of our sample firms have ever made political contributions through their political action committee (PAC) to political campaigns.[21] Second, as noted in Cooper et al. (2010), the majority of firms contribute to both the Democratic and Republican parties.[22] Despite these issues, there is a large overlap between CEO partisanship and firm partisanship based on campaign contribution data.

We merge firm import data from Panjiva with their political contributions data from the FEC and repeat our baseline analysis from Table 3 on this sample, while replacing CEO alignment with firm contribution alignment. Panel A of Table 13 reports the results. We continue to find that politically aligned firms cut imports from ideologically distant

[21] Cooper et al. (2010) document that, only 9.49% of firms listed on the combined CRSP/Compustat database participate in the contribution process and these tend to be very large firms. The ratio is different in our setting because the sample firms are different (importing firms and combined CRSP/Compustat firms), and the sample period is different (2007 to 2020 and 1979 to 2004).

[22] In our sample, among the firm-year observations with available contribution data, in 83% of the cases, firms contribute to both the Democratic and Republican party.

countries more than politically misaligned firms. However, these effects are generally weaker in statistical significance compared to those based on CEO voter registration records.

TABLE 13 ABOUT HERE

Do CEOs' political beliefs play a unique role in shaping global supply-chain decisions? Or are they equally important as the other decision makers of the firm, as approximated by campaign contributions? To answer these questions, we run a "horse race" between the partisanship of CEOs and the alignment of firm campaign contributions, regressing firm imports on the interaction of both measures with the ideological distances between countries, i.e., *Distance*. Panel B of Table 13 reports the results. The main effect of *Aligned Firm (Contribution)* is absorbed by the firm-product-time fixed effects. Perhaps surprisingly, we find that *Aligned Firm (Contribution)* × *Distance* rarely generates a meaningful effect for firms' import decisions. At the same time, *Aligned CEO* × *Distance* continues to generate a negative and statistically significant coefficient despite the control for *Aligned Firm (Contribution)* and its interaction with the ideological distances of the U.S. with a foreign country. This evidence suggests that the political ideology of CEOs generates a profound influence on firm decisions that is distinct from their firms' political orientation.

7.3. Alternative Measures of Import Quantity

Finally, we test the robustness of our results when we use alternative measures of import quantity, weights and number of containers. We show in Table E4 that our results continue to hold, i.e., higher ideological distance reduces the total weight (number of containers) of goods imported by aligned firms more than those imported by misaligned firms. Estimates in column (4), Panel A (Panel B) of Table E4 suggest that a one-standard-deviation increase in ideological distance is associated with a 11% (8%) greater reduction in import weights (number of containers) by aligned firms compared to misaligned firms.

7.4. Decomposition of CEO Parties and President Parties

Our main findings highlight the role of CEO political alignment. Is this effect driven by Democratic CEOs under Democratic Presidents, or Republican CEOs under Republican Presidents? We explore these questions by separately measuring the changes in firms' import decisions for each party of CEOs and presidents.

In our data, CEOs can be affiliated with the Democrat party (*Dem CEO*), the Republican party (*Rep CEO*), or other parties (*Other CEO*). There are two types of administrations, indicated by *Dem President* and *Rep President*. We interact the CEO indicators with the president indicators, leading to six combination scenarios, and interact each of the six scenarios with *Distance*. We then regress firms' import decisions on all six interaction terms. Given that these six scenarios include all possible realizations, the standalone term *Distance* drops out of the regression. Table C2 reports the results. Across various specifications, there is no clear evidence suggesting whether Democrats or Republicans matter more in reducing imports with increasing ideological distance from the foreign country. However, the effect of aligned CEOs seems to be consistently robust.

7.5. Annual-Frequency Sample

Our main analysis tracks the evolution of firms import decisions over each six-month (i.e., semester) window. We examine the importance of this empirical choice by repeating the baseline analysis in an annual-frequency sample. Table E5 reports the results. From observing firms' trade patterns on an annual basis, we find that geopolitical tension generates a small, negative effect on the likelihood of firms importing from foreign countries. Our estimates in column (6) suggest that a one-standard-deviation increase in ideological distance between the U.S. and a foreign country is associated with only 0.7% more decline in the import likelihood by aligned firms compared to misaligned firms. However, conditional on having a trade relation, the same increase in ideological distance leads to a 15% reduc-

tion in the import volume by aligned firms, and a 10% reduction in import shipments by aligned firms compared to misaligned firms. These effects on the intensive margin are both economically and statistically significant.

7.6. Alternative Samples

Our data only covers maritime transactions, which is the largest mode of transport by value and accounts for nearly 50% of the value of U.S. imports. At the same time, our data may omit a large fraction of imports from neighboring countries, Canada and Mexico, because goods from those countries can be transported to the U.S. via land (Flaaen et al., 2023). To evaluate how much the omission of land import affects our results, we repeat the baseline analysis while excluding data from Canada and Mexico. Results are presented in Panel A of Table E3. In this sample, we continue to find that politically aligned CEOs significantly reduce imports from countries that increased their ideological distance from the U.S. more than misaligned CEOs. The coefficient estimates from this sample are also in line with our baseline result.

In Panel B, we verify that our results are robust in a sample excluding imports from China and Russia, which are considered to be the main antagonistic global powers. This test helps establish the external validity of our findings, suggesting that our effects are not purely driven by these most extreme antagonistic countries. Instead, firms' political ideology remains an important determinant for their import decisions from many countries.

8. Conclusion

This paper examines how the political alignment between CEOs and the U.S. administration influences firms' global supply chain decisions amid rising geopolitical tensions. As the world becomes increasingly polarized and geopolitical conflicts intensify, understanding how firms navigate these complex dynamics in their international trade relationships has become crucial

for both corporate strategy and economic policy.

Utilizing large-scale, granular datasets on firm import and CEO political affiliations, we provide the first evidence on how evolving geopolitics affect firms' global sourcing strategies by altering CEOs' risk perceptions and personal preferences. We find that firms led by CEOs who are politically aligned with the U.S. administration cut imports significantly more from source countries that become ideologically divergent from the U.S. In other words, "friendshoring" is a strategy largely adopted by aligned CEOs.

Notably, we find that friendshoring is driven uniquely by CEOs' political ideology rather than other firm-level measures of political leaning such as firm-level political contributions or board members' political ideology. Potential explanations for this behavior include heightened perceptions of geopolitical risks among aligned CEOs, and their nationalistic preferences. Overall, our study underscores the crucial role that individual CEO beliefs and values play in shaping corporate strategy, even in large public companies with diverse stakeholders.

Our findings have two implications. First, they suggest that growing political polarization among corporate executives may amplify the economic impacts of geopolitical tensions, potentially accelerating the fragmentation of global supply chains. Second, shareholders view politically motivated supply chain decisions as potentially value-destroying, highlighting the costs of partisan-influenced corporate policies.

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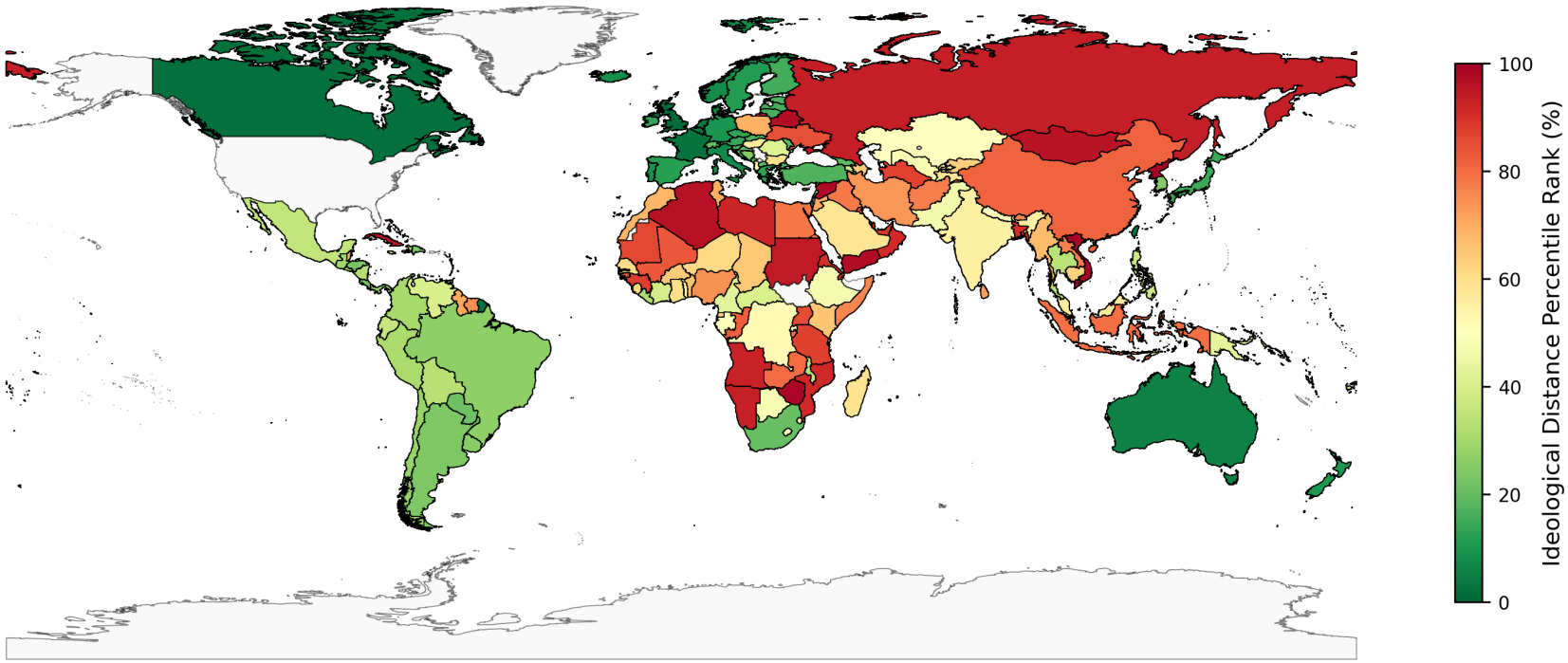


Figure 1: **Ideological Distance Between Foreign Countries and the U.S.** This figure plots the percentile rank of the average ideological distance (*Distance*) between foreign countries and the U.S. using all available data from 1946 to 2022. The *Distance* is calculated based on their UN voting patterns (Bailey et al., 2017),

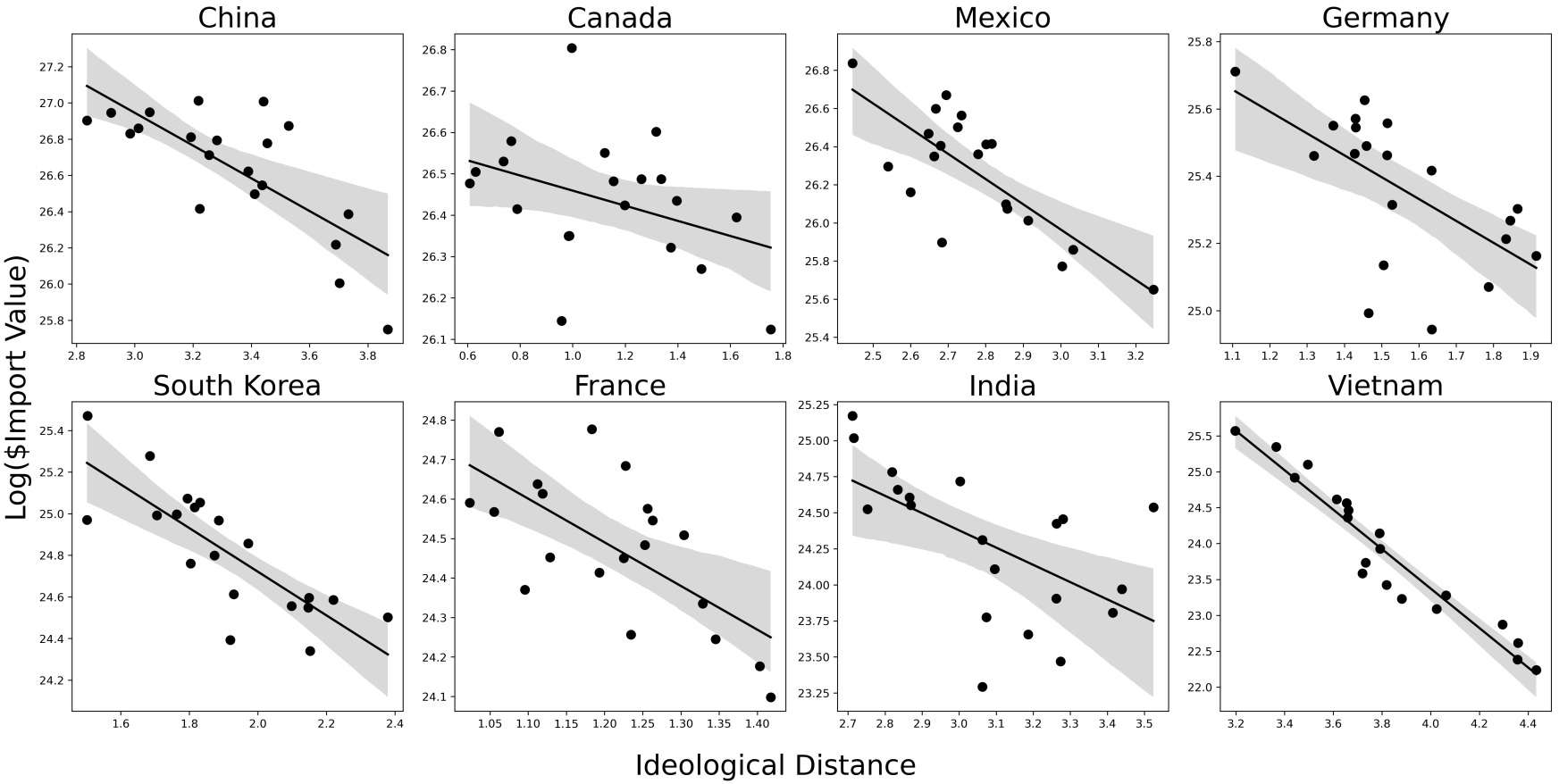


Figure 2: **Import Value and Ideological Distance** This figure shows the scatter plots of import values and ideological distance to the U.S. for eight sample countries, together with the fitted regression lines and the 95% confidence intervals. Each data point refers to a country-year. The Y-axis represents the logarithm of the annual total import value (in U.S. dollars) from a country, and the data is from the U.S. Census Bureau. The X-axis represents the ideological distance (*Distance*) between foreign countries and the U.S. based on their UN voting patterns (Bailey et al., 2017) in a given year. Due to data availability, the sample period is between 2003 and 2022.

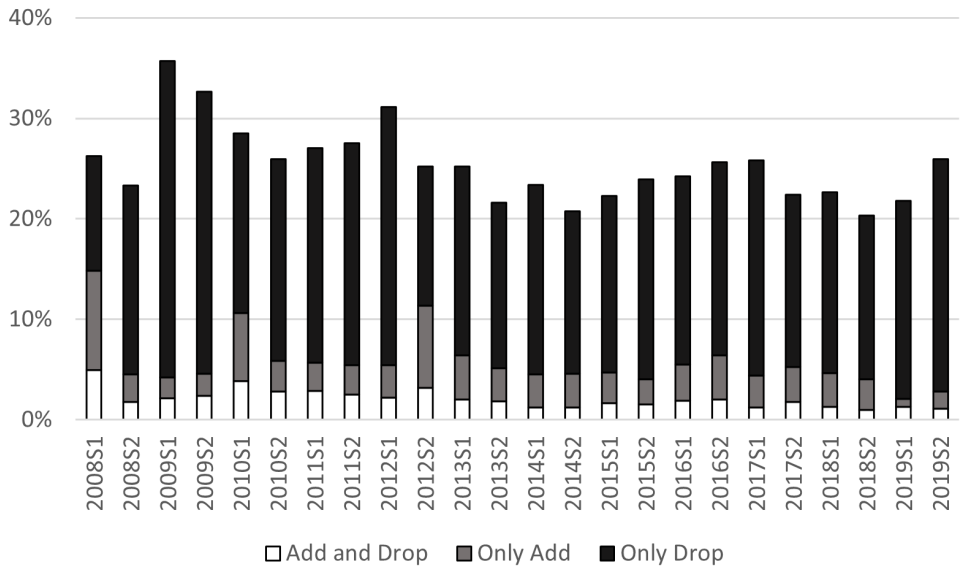


Figure 3: **Percentage of Firms by Switching Status** This figure plots the percentage of firms that add and/or drop the import of products from at least one source country in a semester. "Add" means that a firm is importing from a new source country that it has not imported from over the past year. "Drop" means that a firm stops importing from an existing source country in the next year. "Add and Drop" means that a firm adds a country and drops a country in the same semester.

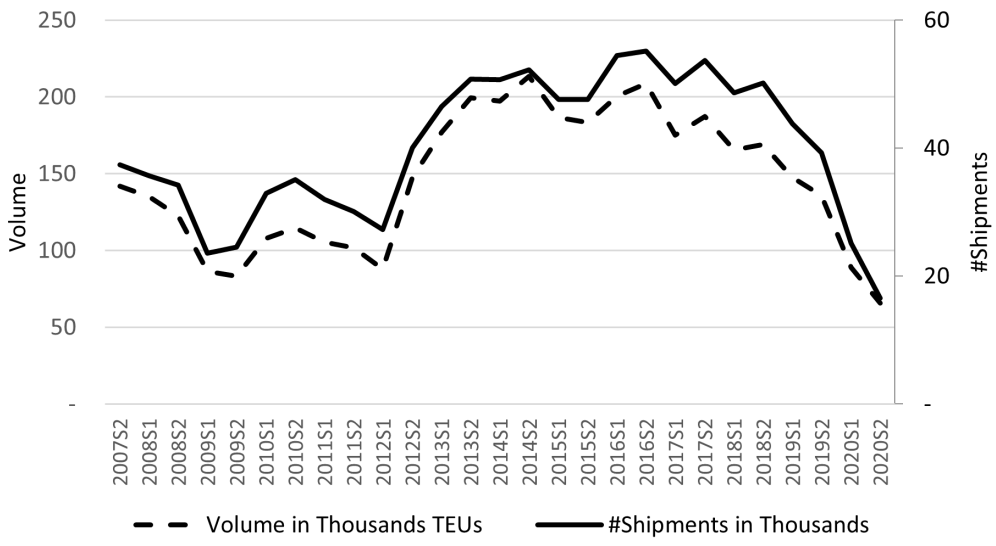
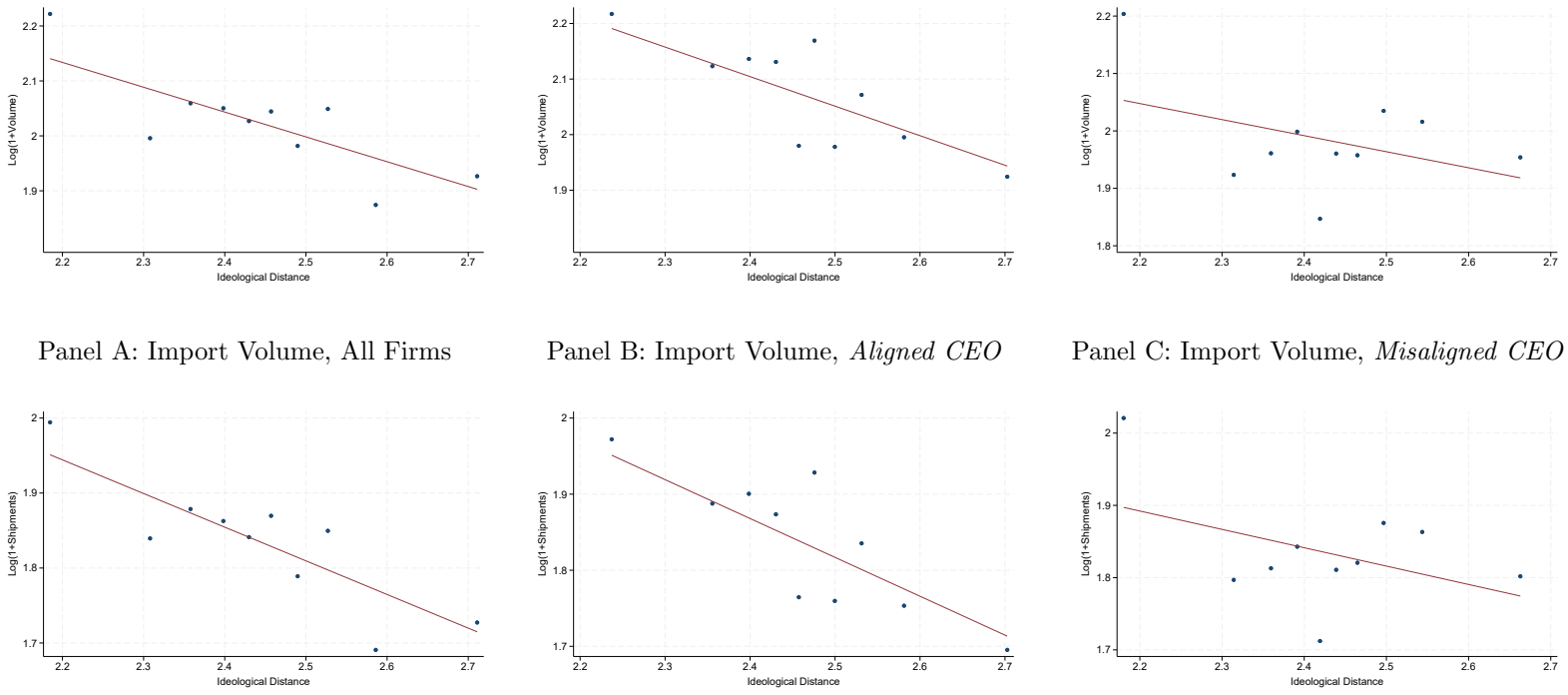


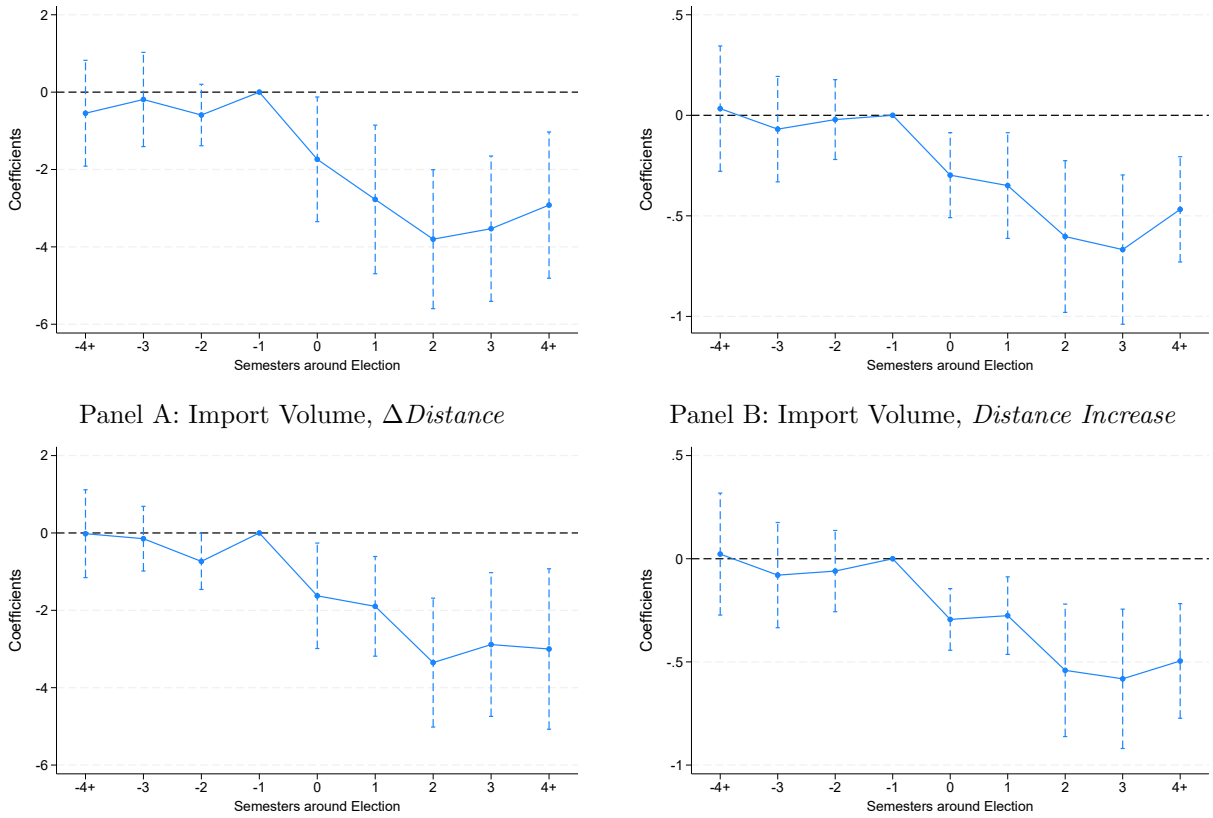
Figure 4: **Firms Aggregate Import Pattern** This figure plots the aggregate time-series variation in firm import patterns, including the shipping volume (TEUs) and the number of shipments, both in thousands.



Panel A: Import Volume, All Firms | Panel B: Import Volume, *Aligned CEO* | Panel C: Import Volume, *Misaligned CEO*

Panel D: Import Shipments, All Firms | Panel E: Import Shipments, *Aligned CEO* | Panel F: Import Shipments, *Misaligned CEO*

Figure 5: **Binscatter Plot of Ideological Distance and Trade** This figure plots the relation between total import quantities and ideological distance at the firm-country level. Panels A and D depict this relationship for the full sample, Panels B and E plot it for aligned firms, i.e., firms whose CEOs are affiliated with the same party as the U.S. President, and Panels C and F focus on misaligned firms, i.e., firms whose CEOs are affiliated with a different party from the U.S. President. The x-axis indicates the ideological distance between a source country to the U.S., and the y-axis indicates log of one plus import quantities between each firm and a source country. Import quantities are measured by both total volume and the number of shipments. The dots represent the average import quantities for each decile of ideological distance, and the solid line represents the fitted regression line between the two variables. The regressions control for firm-source country fixed effects.



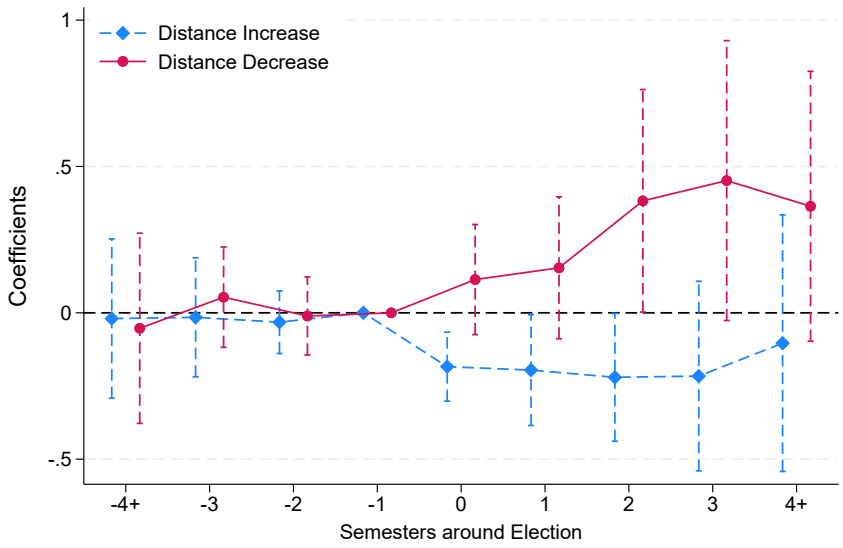
Panel A: Import Volume, Δ*Distance*

Panel B: Import Volume, *Distance Increase*

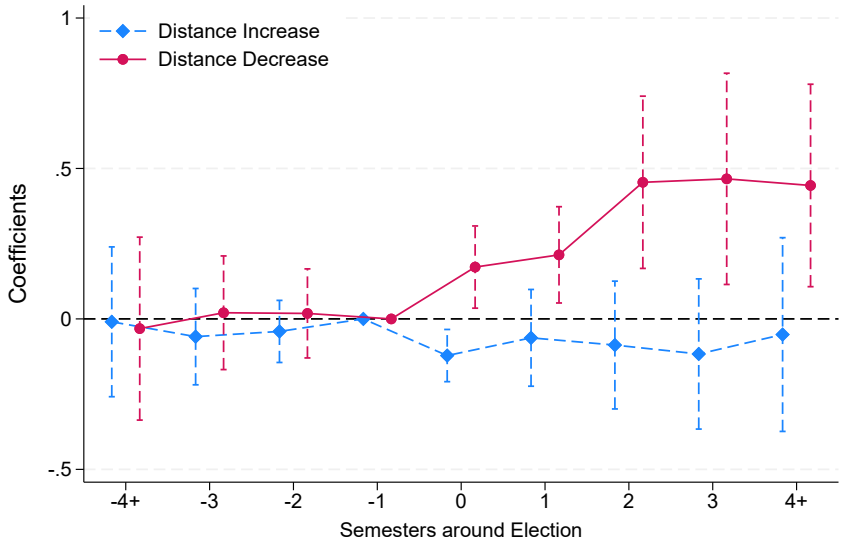
Panel C: Import Shipments, Δ*Distance*

Panel D: Import Shipments, *Distance Increase*

Figure 6: **Partisanship Effects on Trade Around Foreign Elections.** This figure plots the results from event studies around close foreign elections, examining the differential effects of close elections that increase the ideological distance between foreign countries and the U.S. on the import decisions of aligned firms relative to misaligned firms. The benchmark group is close elections that decrease the ideological distance. Each panel presents the results for an import decision, *Log(1+Volume)* (Panels A and B) and *Log(1+Shipments)* (Panels C and D), respectively. The left column presents coefficient estimates from the triple interaction *Aligned CEO* $\times$ Δ*Distance* $\times$ $1_{t=e_t+k}$ in Equation (5). The right column presents coefficient estimates from the interaction *AlignedCEO* $\times$ *Distance Increase* $\times$ $1_{t=e_t+k}$. Within each panel, the blue lines and dots represent the point estimates and the vertical lines represent 95 percent confidence intervals.



Panel A: Import Volume



Panel B: Import Shipments

Figure 7: **Partisanship Effects on Trade Around Foreign Elections.** This figure plots the results from event studies around close foreign elections, examining the effects of close elections that increase and decrease the ideological distance between foreign countries and the U.S. on the import decisions of aligned firms and misaligned firms. Each panel presents the results for an import decision, *Log(1+Volume)* and *Log(1+Shipments)*, respectively. Within each panel, the red (blue dashed) lines and dots (diamonds) represent coefficient estimates for the effects of distance-decreasing (distance-increasing) elections. The coefficients correspond to β_k and γ_k from Equation (6). The vertical lines represent 95 percent confidence intervals.

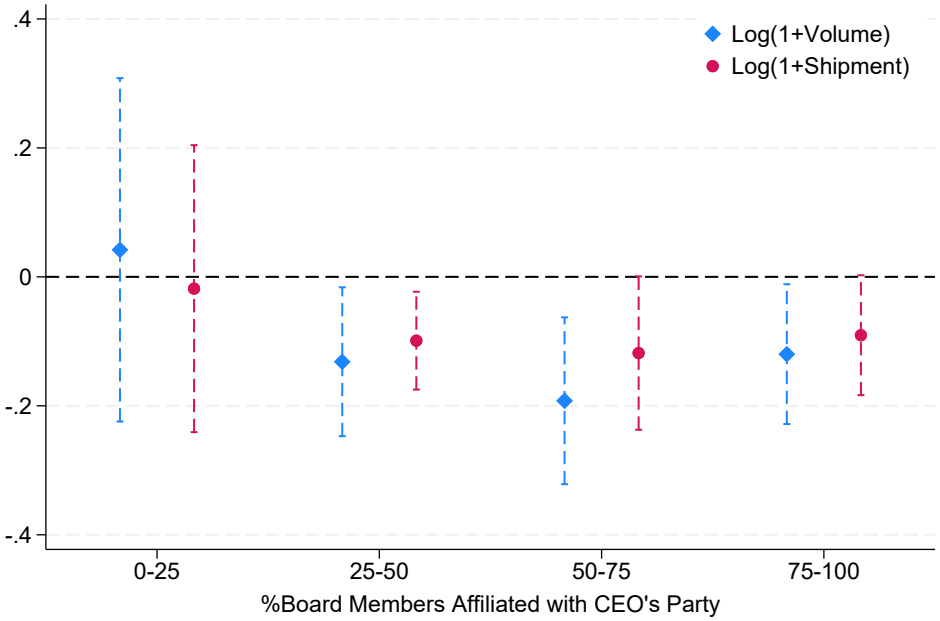


Figure 8: **The Role of Board Alignment with CEO's Party** This figure plots the results analyzing the heterogeneous effects regarding the alignment of board members' political ideology with the CEO. We only include sample firms with CEOs affiliated with the Democrat or Republican party, and with at least one board member affiliated with Democrat or Republican party. The blue diamonds (red dots) represent coefficient estimates for δ_k regarding the import decision of *Log(1+Volume)* and *Log(1+Shipments)* from Equation (7), respectively. The vertical lines represent 95 percent confidence intervals.

Table 1: **Descriptive Statistics**
This table presents summary statistics for the main variables, including trade quantity measures, firm partisanship variables, and ideological distance. The unit of observation is a firm-source country-product-semester. Detailed variable definitions are provided in Appendix B.

Panel A: Trade Data

Variable	N	Mean	Median	Std
Have Import	110,644	0.737	1	0.440
Volume	108,607	36.25	145.9	2.110
Log(1+Volume)	108,607	1.653	1.728	1.135
Log(Volume)	79,481	1.782	2.233	1.792
Shipments	110,644	9.811	3	21.37
Log(1+Shipments)	110,644	1.470	1.386	1.263
Log(Shipments)	81,518	1.736	1.609	1.262

Panel B: Firm Partisanship

Variable	N	Mean	Median	Std
Aligned CEO	110,644	0.454	0	0.498
Dem CEO	110,644	0.264	0	0.441
Rep CEO	110,644	0.693	1	0.461
Other CEO	110,644	0.043	0	0.202
Aligned Board	110,644	0.472	0.5	0.305
Aligned Firm (Contribution)	46,490	0.444	0	0.497

Panel C: Ideological Distance

Variable	N	Mean	Median	Std
Distance	110,644	2.645	3.012	0.849

Table 2: **Ideological Distance and Trade**

This table reports the effects of ideological distance on the likelihood that a firm imports from a source country, and the quantity of the imports. The sample is a firm-source country-product-semester (6 months) panel. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Overall Import Quantity

Dep. Var.:	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance	-0.171*	-0.169*	-0.126**	-0.124**
	(0.087)	(0.087)	(0.055)	(0.055)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×CEO×Country	Yes		Yes	
Country×Product	Yes		Yes	
Firm×CEO×Country×Product		Yes		Yes
Observations	68,994	68,962	70,905	70,877
Adjusted R^2	0.610	0.648	0.585	0.619

Panel B: Separating Extensive and Intensive Margins

	Extensive Margin		Intensive Margin			
Dep. Var.:	*Have Import*		*Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Distance	-0.003	-0.003	-0.126	-0.135	-0.105*	-0.112*
	(0.022)	(0.022)	(0.115)	(0.111)	(0.061)	(0.060)
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes
Firm×CEO×Country	Yes		Yes		Yes	
Country×Product	Yes		Yes		Yes	
Firm×CEO×Country×Product		Yes		Yes		Yes
Observations	70,905	70,877	47,949	47,844	49,705	49,606
Adjusted R^2	0.334	0.330	0.632	0.680	0.588	0.639

Table 3: **Geopolitical Tensions and the Import Decisions by Partisan CEOs**
This table examines the effects of geopolitical tension on the import decisions of partisan firms. The sample is a firm-source country-product-semester panel. In Panel A and the "Extensive Margin" tests of Panel B, the sample includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. In the "Intensive Margin" tests of Panel B, the sample includes only observations with positive import volume. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Overall Import Quantities

Dep. Var.:	*Log(1+Volume)*			*Log(1+Shipments)*		
	(1)	(2)	(3)	(4)	(5)	(6)
Distance	-0.149*	-0.157*		-0.110**	-0.116**	
	(0.085)	(0.087)		(0.054)	(0.055)	
Distance×*Aligned CEO*	-0.087***	-0.084**	-0.106***	-0.071***	-0.071***	-0.080**
	(0.032)	(0.033)	(0.038)	(0.024)	(0.025)	(0.033)
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes
Firm×CEO×Country	Yes			Yes		
Firm×CEO×Country×Product		Yes	Yes		Yes	Yes
Country×Product×Time			Yes			Yes
Observations	68,994	68,962	53,743	70,905	70,877	55,367
Adjusted R^2	0.571	0.648	0.675	0.545	0.619	0.641

Panel B: Separating Extensive and Intensive Margins

Dep. Var.:	Extensive Margin			Intensive Margin					
	Have Import			*Log(Volume)*			*Log(Shipments)*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Distance	-0.000	-0.001		-0.075	-0.125		-0.069	-0.107*	
	(0.021)	(0.022)		(0.113)	(0.111)		(0.059)	(0.059)	
Distance×*Aligned CEO*	-0.018**	-0.018**	-0.024***	-0.070**	-0.073**	-0.154**	-0.044**	-0.051**	-0.084**
	(0.007)	(0.007)	(0.009)	(0.032)	(0.035)	(0.061)	(0.020)	(0.022)	(0.041)
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm×CEO×Country	Yes			Yes			Yes		
Firm×CEO×Country×Product		Yes	Yes		Yes	Yes		Yes	Yes
Country×Product×Time			Yes			Yes			Yes
Observations	70,905	70,877	55,367	47,950	47,844	34,996	49,705	49,606	36,197
Adjusted R^2	0.337	0.330	0.311	0.593	0.680	0.655	0.534	0.639	0.634

Table 4: **Are the Effects Driven by CEO Party**

This table examines the effects of geopolitical tension on the import decisions of partisan firms. The sample is a firm-source country-product-semester panel. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Rep CEO* (*Dem CEO*) is an indicator that equals one if a firm's CEO is affiliated with the Republican (Democratic) party, and zero otherwise. *Differential Effect* reports the difference between the coefficients of *Distance*×*Rep CEO* and *Distance*×*Dem CEO*. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

					Extensive Margin		Intensive Margin			
Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		*Have Import*		*Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Distance	0.019		0.004		-0.043		0.131		0.063	
	(0.395)		(0.407)		(0.135)		(0.399)		(0.309)	
Distance×*Rep CEO*	-0.209	0.178	-0.122	0.058	0.054	0.049	-0.311	-0.209	-0.177	-0.229
	(0.425)	(0.415)	(0.428)	(0.378)	(0.134)	(0.154)	(0.390)	(0.450)	(0.329)	(0.299)
Distance×*Dem CEO*	-0.151	0.317	-0.157	0.007	0.007	0.005	-0.176	0.044	-0.190	-0.259
	(0.407)	(0.448)	(0.403)	(0.351)	(0.135)	(0.152)	(0.414)	(0.496)	(0.316)	(0.290)
Differential Effect	-0.058	-0.138	0.035	0.051	0.046	0.044	-0.135	-0.253	0.013	0.030
	(0.146)	(0.187)	(0.103)	(0.143)	(0.030)	(0.034)	(0.162)	(0.223)	(0.094)	(0.140)
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	68,962	53,743	70,877	55,367	70,877	55,367	47,844	34,996	49,606	36,197
Adjusted R^2	0.647	0.675	0.619	0.640	0.330	0.310	0.680	0.655	0.639	0.633

Table 5: **Foreign Election Event Study**
This table reports the results regarding the effects of close foreign elections that change the ideological distance between U.S. and a foreign country on public firms' import decisions. The sample is a stacked event sample constructed in the following steps: We start with a set of close elections, whose winning margins fall under the bottom quartile across all foreign elections over our sample period. For each close foreign election, we gather all firms that ever import from that country over our sample period, and then stack all such election events together. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. $\Delta Distance$ is the changes in the ideological distance between a foreign country and the U.S. following the close election. *Distance Inc* is an indicator that turns to one if a close election increases the ideological distance between U.S. and a country. *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Post* indicates time periods after the election. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Aligned CEO×Post	-0.024	0.187*	0.060	0.255***
	(0.051)	(0.092)	(0.049)	(0.063)
Aligned CEO×ΔDistance×Post	-2.566***		-2.219***	
	(0.785)		(0.740)	
Aligned CEO×Distance Inc×Post		-0.448***		-0.405***
		(0.107)		(0.071)
Firm×Election×Product	Yes	Yes	Yes	Yes
Election×Product×Time	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes
Observations	23,421	23,421	24,057	24,057
Adjusted R^2	0.460	0.461	0.447	0.448

Table 6: **Stock Market Reactions Around Foreign Elections**
This table reports the results regarding the stock market reactions around foreign elections that change the ideological distance between the U.S. and a foreign country. The sample is a firm by foreign election sample. *CAR[-5, 5]* is the cumulative abnormal return during the [-5, 5]-*days* time window around the foreign election, calculated using the Fama-French three-factors model. Panel A reports the average *CAR[-5, 5]* for distance-increasing and distance-decreasing elections, separately. The sample includes all firms who source over 1% of their total import volume (TEUs) from the election country during the year before the election. Panel B reports the regression analysis examining the differential change in firm equity value around foreign elections between aligned and misaligned firms. *Distance Inc* (*Distance Dec*) is an indicator that turns to one if an election increases (decreases) the ideological distance between the U.S. and a country. *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. The sample in columns (1) and (2) (columns (3) and (4)) includes all firm-election pairs where the firm's import over 1% (5%) of its total volume (TEUs) from the election country during the year before the election. The sample in columns (5) and (6) includes firm-election pairs where the firm does not import from the electing countries or source less than 1% of its import from those countries. Panel C analyzes the role of board alignment with CEO's party in affecting firm equity value, using sample firms of Panel B columns (1) and (2). We only keep observations with CEOs and at least one board member affiliated with the Democrat or Republican party. We divide the board into 2 groups based on the percentage of board members that are affiliated with the same party as the CEO, i.e., 0-50%, 50-100%. We then define a dummy variable indicating whether the firm falls into each quartile group. In computing this measure, we only account for Democrat and Republican board members. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and the electing country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Firm CARs Around Distance-Increasing and Decreasing Elections

	Distance Inc	Distance Dec	*Difference (Inc − Dec)*
CAR[-5, +5]	0.20%	0.44%***	-0.24%
	(0.20%)	(0.16%)	(0.27%)
N	853	1,481	

Panel B: CARs Around Foreign Elections for Aligned and Misaligned Firms

Dep. Var.: *CAR[-5, 5]*	Affected Firms (≥ 1% Exposure)		Heavily Affected Firms (≥ 5% Exposure)		Unaffected Firms (< 1% Exposure)	
	(1)	(2)	(3)	(4)	(5)	(6)
Aligned CEO×Distance Inc	-0.012**	-0.016***	-0.020***	-0.026***	0.001	-0.000
	(0.004)	(0.005)	(0.007)	(0.009)	(0.003)	(0.003)
Aligned CEO×Distance Dec	0.001	0.003	-0.006	-0.006	-0.002	-0.002
	(0.004)	(0.004)	(0.006)	(0.006)	(0.001)	(0.002)
Election	Yes	Yes	Yes	Yes	Yes	Yes
Firm		Yes		Yes		Yes
Observations	2,317	2,110	1,209	976	10,378	10,287
Adjusted R^2	0.034	0.051	0.036	0.052	0.041	0.072

Panel C: The Role of Board Alignment with CEO's Party

Dep. Var.: *CAR[-5, 5]*	(1)	(2)	(3)	(4)
Distance Inc×Aligned CEO×0-50% Board Members Align CEO	-0.001	-0.003		
	(0.007)	(0.008)		
Distance Inc×Aligned CEO×50-100% Board Members Align CEO	-0.014*	-0.021***		
	(0.007)	(0.007)		
Distance Dec×Aligned CEO×0-50% Board Members Align CEO	0.001	-0.001		
	(0.007)	(0.007)		
Distance Dec×Aligned CEO×50-100% Board Members Align CEO	-0.000	-0.000		
	(0.005)	(0.005)		
Distance Inc×Aligned CEO×%Board Members Align CEO			-0.013	-0.024***
			(0.008)	(0.007)
Distance Dec×Aligned CEO×%Board Members Align CEO			0.000	-0.004
			(0.005)	(0.006)
0-50% Board Members Align CEO	0.006	0.005		
	(0.006)	(0.008)		
Distance Inc×0-50% Board Members Align CEO	-0.011	-0.019**		
	(0.009)	(0.009)		
%Board Members Align CEO			-0.012	-0.040
			(0.009)	(0.026)
Distance Inc×%Board Members Align CEO			0.014	0.019
			(0.016)	(0.012)
Election FE	Yes	Yes		
Firm FE		Yes		
Observations	1,717	1,621	1,717	1,621
Adjusted R^2	0.056	0.090	0.056	0.094

Table 7: **Operating Performance around Foreign Elections**
This table reports the results regarding the firm's operating performance and its exposure to distance-increasing and distance-decreasing foreign elections. The sample is a firm by foreign election sample. The dependent variable is the change in firms' average gross margin two quarters before and after the foreign election (Δ*Grross Margin*), where *Grross Margin* is defined as 1 minus the cost of goods sold divided by sales. *Distance Inc* is an indicator that equals one if the foreign election increases the ideological distance between the U.S. and the electing country, and zero otherwise. *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. The sample in columns (1) and (2) (columns (3) and (4)) includes all firm-election pairs where the firm's import over 1% (5%) of its total volume (TEUs) from the election country during the year before the election. The sample in columns (5) and (6) includes firm-election pairs where the firm does not import from the electing countries or source less than 1% of its import from those countries. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.: Δ*Gross Margin*	Affected Firms ($\geq$ 1% Exposure)		Heavily Affected Firms ($\geq$ 5% Exposure)		Unaffected Firms ($<$ 1% Exposure)	
	(1)	(2)	(3)	(4)	(5)	(6)
Distance Inc	0.004		0.009		-0.001	
	(0.003)		(0.005)		(0.001)	
Aligned CEO	0.008***	0.009***	0.010**	0.007*	-0.000	0.000
	(0.003)	(0.003)	(0.004)	(0.004)	(0.002)	(0.002)
Aligned CEO$\times$*Distance Inc*	-0.009**	-0.010***	-0.017***	-0.015***	0.001	0.000
	(0.003)	(0.003)	(0.006)	(0.004)	(0.001)	(0.002)
Firm	Yes	Yes	Yes	Yes	Yes	Yes
Election Year	Yes		Yes		Yes	
Election		Yes		Yes		Yes
Observations	1,494	1,482	677	661	8,281	8,281
Adjusted R^2	0.118	0.126	0.025	0.029	0.156	0.159

Table 8: **Perceived Geopolitical Risk Around Foreign Elections**
This table reports the results regarding the firm's perceived geopolitical risk and its exposure to distance-increasing and distance-decreasing foreign elections. The sample is a firm by foreign election sample. The dependent variable is the change in firms' average perceived geopolitical risks two quarters before and after the foreign election (ΔGPR), where GPR is constructed by Caldara and Iacoviello (2022) using quarterly earnings calls. *Distance Inc* is an indicator that equals one if the foreign election increases the ideological distance between the U.S. and the electing country, and zero otherwise. *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. The sample in columns (1) and (2) (columns (3) and (4)) includes all firm-election pairs where the firm's import over 1% (5%) of its total volume (TEUs) from the election country during the year before the election. The sample in columns (5) and (6) includes firm-election pairs where the firm does not import from the electing countries or source less than 1% of its import from those countries. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.: ΔGPR	Affected Firms ($\geq$ 1% Exposure)		Heavily Affected Firms ($\geq$ 5% Exposure)		Unaffected Firms ($<$ 1% Exposure)	
	(1)	(2)	(3)	(4)	(5)	(6)
Distance Inc	0.028		-0.231		-0.011	
	(0.075)		(0.139)		(0.029)	
Aligned CEO	-0.266	-0.256	-0.595**	-0.444**	-0.115*	-0.125*
	(0.184)	(0.167)	(0.244)	(0.174)	(0.066)	(0.069)
Aligned CEO×*Distance Inc*	0.183*	0.165*	0.446**	0.332	0.050	0.065
	(0.094)	(0.095)	(0.185)	(0.218)	(0.045)	(0.048)
Firm	Yes	Yes	Yes	Yes	Yes	Yes
Election Year	Yes		Yes		Yes	
Election		Yes		Yes		Yes
Observations	1,112	1,095	512	500	6,004	6,004
Adjusted R^2	0.020	0.024	0.143	0.224	0.052	0.050

Table 9: **CEO Donations to Veterans Causes**

This table reports the effects of geopolitical tensions on the importing decisions by partisan firms and CEOs's donations to Veteran causes. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Veteran Donor* is a dummy that equals one if the CEO has donated to Veterans Causes, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance	-0.165*		-0.122**	
	(0.089)		(0.056)	
Distance× *Veteran Donor*	0.399*	0.558	0.291*	0.503
	(0.209)	(0.645)	(0.150)	(0.491)
Distance× *Aligned CEO*	-0.076**	-0.097***	-0.066***	-0.069**
	(0.033)	(0.036)	(0.025)	(0.031)
Distance× *Aligned CEO*× *Veteran Donor*	-0.329***	-0.369**	-0.215	-0.420***
	(0.105)	(0.171)	(0.133)	(0.116)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	68,962	53,743	70,877	55,367
Adjusted R^2	0.648	0.675	0.619	0.641

Table 10: **Geopolitical Tensions and the Import Decisions of Government Contractors**

This table reports the effects of geopolitical tensions on the importing decisions by firms with high and low values of government contracts. In Panel A, we examine whether having government contract makes firms more or less sensitive to geopolitical tensions. In Panel B, we compare the interactive effects of firm partisanship (i.e., *Aligned CEO*) and having government contract. The sample is a firm-source country-product-semester panel. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Have Gov Contract* is an indicator that equals one if the firm has received a government contract in the past three years. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance	-0.225**		-0.167***	
	(0.089)		(0.063)	
Distance×*Aligned CEO*	-0.072*	-0.081*	-0.056*	-0.057
	(0.043)	(0.048)	(0.033)	(0.041)
Distance×*Have Gov Contract*	0.176***	0.265***	0.135**	0.218***
	(0.065)	(0.077)	(0.063)	(0.067)
Distance×*Aligned CEO*×*Have Gov Contract*	-0.041	-0.083	-0.045	-0.074
	(0.068)	(0.063)	(0.053)	(0.053)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	68,962	53,743	70,877	55,367
Adjusted R^2	0.648	0.676	0.619	0.641

Table 11: **The Role of Firm Size**

This table reports the effects of geopolitical tensions on the importing decisions by firms with large and small asset sizes. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Large* (*Small*) is an indicator that equals one if the firm's lagged asst size is above (below) the sample median, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance×*Small*	-0.221**		-0.186***	
	(0.100)		(0.067)	
Distance×*Large*	-0.099		-0.054	
	(0.087)		(0.055)	
Distance×*Aligned CEO*×*Small*	-0.046	-0.076**	-0.030	-0.058*
	(0.040)	(0.037)	(0.032)	(0.032)
Distance×*Aligned CEO*×*Large*	-0.116**	-0.130**	-0.106***	-0.100**
	(0.049)	(0.054)	(0.036)	(0.045)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	68,564	53,370	70,477	54,999
Adjusted R^2	0.648	0.676	0.619	0.641

Table 12: **Political Conflicts as an Alternative Measure of Geopolitical Tension**
This table reports the effects of geopolitical tensions on partisan firms' import decisions, measuring geopolitical tensions based on bilateral political conflicts from the Global Data on Events, Location and Tone (GDELT) database. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *%Conflict Event* represents, among all the bilateral events initiated by the government, the share of conflict events between each source country and the U.S. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
%Conflict Event	0.329*		0.176	
	(0.178)		(0.125)	
%Conflict Event×Aligned CEO	-0.797***	-1.028***	-0.366**	-0.537**
	(0.271)	(0.248)	(0.180)	(0.225)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	68,714	53,638	70,629	55,262
Adjusted R^2	0.648	0.676	0.619	0.641

Table 13: **Firm Campaign Contribution as an Alternative Measure of Firm Partisanship**

This table reports the effects of geopolitical tensions on partisan firms' import decisions, measuring firm partisanship based on its contribution to political campaigns. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned Firm (Contribution)* is a dummy variable that equals to one if the firm makes more contribution to the party of the current President compared to its contribution to other political parties' campaigns. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Firm Campaign Contribution

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance	-0.304***		-0.268***	
	(0.092)		(0.072)	
Distance×*Aligned Firm (Contribution)*	-0.079***	-0.048	-0.066***	-0.071**
	(0.029)	(0.040)	(0.025)	(0.033)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	86,525	71,003	89,142	73,438
Adjusted R^2	0.595	0.613	0.579	0.597

Panel B: CEO Affiliation and Firm Campaign Contribution

Dep. Var.	*Log(1+Volume)*	*Log(1+Shipments)*
	(1)	(2)
Distance×*Aligned CEO*	-0.170**	-0.137**
	(0.080)	(0.066)
Distance×*Aligned Firm (Contribution)*	-0.072	-0.097*
	(0.061)	(0.050)
Firm×Product×Time	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes
Country×Product×Time	Yes	Yes
Observations	21,125	22,166
Adjusted R^2	0.650	0.617

Appendix A Details on Sample Construction

We construct a sample that tracks firms importing activity following (Smirnyagin and Tsyvinski, 2022) and (Bisetti et al., 2023). We have detailed the sample construction steps below:

1. We start with the universe of shipments imported by U.S. consignees. We drop observations with the missing firm identifier, *conpanjivaid*.

2. We use the cross-reference file (provided by Panjiva) to merge with S&P Capital and obtain the corresponding identifiers (*companyid*). Observations with the missing *companyid* are dropped from the sample.

3. For each firm, we use the following steps to get its ultimate parent *companyid* overtime.

   (a) S&P BECRS provides the cross-reference file between companyid and D&B *DUNS ID*. The *DUNS ID* is the identifier used in NETS, which is panel data where we can track the firms ultimate parent over time.

   (b) For those firms that can not be matched with NETS, we rely on the S&P BECRS Ultimate Parent Point-in-Time package. It tracks the parent-to-subsidiary relationship starting in 2018. For the sample period before 2018, we use the parent-to-subsidiary relationship in 2018, assuming the relationship did not change.

4. We next attempt to obtain *gvkey*, based on the *companyid* of the ultimate parent. For this purpose, we use the crosswalk from BECRS. The crosswalk contains the starting and ending date for every *companyid-gvkey* tuple; we make sure to use the correct concordance depending on the time period. That is, for each year, we keep those tuples that are active in a given year.

5. For the firms that are matched with *companyid* but not matched to its parent *gvkey* following the steps above, we use the cross-reference file between *companyid* and *gvkey* to get their *gvkey* directly.

6. The cross-reference file for *conpanjivaid* and *companyid* only covers less than 15% of Panjiva firms (Flaaen et al., 2023). We supplement this by constructing our own crosswalks, for Panjiva consigees that cannot matched with Capital IQ companies in step 2. We match Panjiva firms with NETS based on geo-located addresses (*Placekey*) and names, then repeat steps 3.a and 4 to get their parent *gvkey*.

7. We drop firms if we observe them making transactions less than 50 percent of the time.

8. To reduce the impact of firms redactions, we drop firms with import volume exceeds the mean plus/minus 3 standard deviations at any point of time. The mean and standard deviation are computed individually for each firm. This way, we try to eliminate companies with big spikes (up or down) in the import volumes; this can (plausibly) result from their redacting activity.

9. When a carrier handles a shipment end-to-end, then this logistic company will be recorded as a consignee. To address this issue, we first use the list of the largest 100 logistic companies and exclude observations where these logistic companies are recorded as consignees. We then drop firms in the transportation industry (SIC first digit = 4).

10. We drop firms from the finance industry (SIC first digit = 6).

11. We add two years (four semesters) before the first year (semester) in which a given firm-country-product pair appears in our sample and extend the panel by two years (four semesters) after the last year in which the pair appears in the data.

12. For our baseline analysis, we only keep active import transactions: we drop firm-product-country pairs if we observe them making transactions less than 50 percent of the time.

Appendix B Variable Definitions

- *Have Import*: An indicator variable that equals one if a firm imports a certain product from a source country during a semester, and zero otherwise. Data are obtained from Panjiva.
- *Volume*: The total shipment volume in twenty-foot equivalent units (TEUs) for a certain product imported by a firm from a source country during a semester. If the firm does not import the product from a country and semester, the volume is set to zero. The variable is winsorized at the 1% and 99% levels. Data are obtained from Panjiva.
- *Shipments*: The total number of shipments of a certain product imported by a firm from a source country during a semester. If the firm does not import the product from a country and semester, the number of shipments is set to zero. The variable is winsorized at the 1% and 99% levels. Data are obtained from Panjiva.
- *Weight*: The total shipment weight (in kilograms) of a product imported by a firm from a source country during a semester. If the firm does not import the product from a country and semester, the shipment weight is set to zero. The variable is winsorized at the 1% and 99% levels. Data are obtained from Panjiva.
- *Containers*: The total number of shipment containers of a product imported by a firm from a source country during a semester. If the firm does not import the product from a country and semester, the number of container is set to zero. The variable is winsorized at the 1% and 99% levels. Data are obtained from Panjiva.
- *Aligned CEO*: An indicator variable that equals one if a CEO's party affiliation is the same as the party of the U.S. president, and zero otherwise. Firm CEO data are obtained from Capital IQ and the CEO's party affiliation data are obtained from the voter registration records provided by L2, Inc.
- *Dem CEO*: An indicator variable that equals one if a CEO is affiliated with the Democratic party, and zero otherwise.
- *Rep CEO*: An indicator variable that equals one if a CEO is affiliated with the Republican party, and zero otherwise.
- *Other CEO*: An indicator variable that equals one if a CEO is affiliated with the other parties (neither the Republican party nor the Democrat party), and zero otherwise.
- *Dem President*: An indicator variable that equals one if the current President is affiliated with the Democratic party, and zero otherwise.
- *Rep President*: An indicator variable that equals one if the current President is affiliated with the Republican party, and zero otherwise.
- *Aligned Firm (Contribution)*: An indicator variable that equals one if a firm contributes more to the party of the U.S. president during the most recent two-year election cycle. Firm-level political contribution data are obtained from the Federal Election Commission.

- *Board Alignment*: The percentage of board members that are affiliated with the same party as the current President. In computing this measure, we only account for Democrat and Republican board members.

- *Distance*: The ideal point distances between the U.S. and importing country based on countries voting behavior in the UN General Assembly (Bailey et al., 2017), obtained from Voeten (2013).

- Δ*Distance*: The changes in the ideological distance between an import source country and the U.S. following the close election. The election data are obtained from the Manifesto Project Database (MPD) and the ideal point distance data are obtained from Voeten (2013).

- *Distance Inc*: An indicator that equals one if the foreign election increases the ideological distance between the U.S. and the electing country, and zero otherwise.

- *%Conflict Event*: The share of conflict events between each source country and the U.S., among all the bilateral events initiated by the government. Data are obtained from the GDELT dataset.

- Δ*Gross Margin*: The change in firms' average gross margin two quarters before and after the foreign election, where *Gross Margin* is calculated as 1 minus the cost of goods sold (*cogs*) divided by sales (*sale*).

- Δ*GPR*: The change in firms' average perceived geopolitical risks two quarters before and after the foreign election (Δ*GPR*), where *GPR* is constructed by Caldara and Iacoviello (2022) using quarterly earnings calls.

- *Veteran Donor*: An indicator variable that equals one if the CEO has donated to Veterans Causes, and zero otherwise.

- *Have Gov Contract*: An indicator that equals one if the firm has received a government contract in the past three years. Government contract data are obtained from USASPENDING.gov.

- *CAR[-5, 5]*: The cumulative abnormal return during the [-5, 5]-*days* time window around the foreign election, calculated using the Fama-French three-factors model.

Appendix C Baseline Sample and Additional Evidence

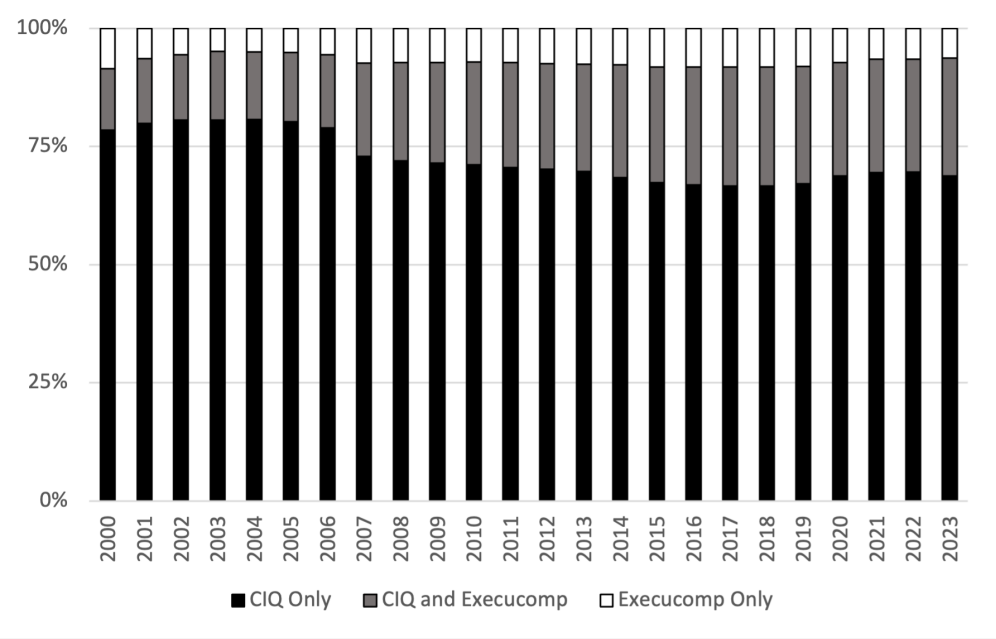


Figure C1: **CEO Data Coverage by Capital IQ People Intelligence and Execucomp** This figure plots the comparison of CEO data coverage by Capital IQ People Intelligence and Execucomp. We collect firm-year panel data on CEO information from Capital IQ People Intelligence and Execucomp for Compustat U.S. firms, and then outer-join these two data to compare the data coverage. *CIQ Only* indicates the percentage of firms covered only by Capital IQ People Intelligence each year. *Execucomp Only* indicates the percentage of firms covered only by Execucomp each year. *CIQ and Execucomp* indicates the percentage of firms covered by both Capital IQ People Intelligence and Execucomp each year.

Table C1: **CEO Party Affiliation and Trade**

This table reports the effect of CEOs partisanship on their firm's import decisions. The sample is a firm-source country-product-semester panel. Columns (1) to (6) include firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. Columns (7) to (10) include only observations with positive import volume. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Rep CEO* and *Dem CEO* are indicators for whether a firm's CEO is affiliated with the Republican or Democratic party, respectively. *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Rep President* and *Dem President* are indicator variables indicating whether the current U.S. administration is Republican and Democrat, respectively. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: CEO Alignment and Firm Import Decisions

					Extensive Margin		Intensive Margin			
Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		*Have Import*		*Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Aligned CEO	0.030	0.008	0.024	0.006	0.013	0.007	-0.030	-0.041	-0.013	-0.015
	(0.070)	(0.058)	(0.051)	(0.042)	(0.014)	(0.010)	(0.035)	(0.029)	(0.031)	(0.026)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	93,561	82,999	95,314	84,755	95,314	84,755	66,612	57,194	68,136	58,698
Adjusted R^2	0.537	0.584	0.484	0.528	0.193	0.217	0.623	0.627	0.574	0.588

Panel B: CEO Party and Firm Import Decisions

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		Extensive Margin *Have Import*		Intensive Margin *Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dem CEO	0.423	0.505**	0.272	0.379***	0.067	0.112	0.280**	0.123	0.158*	0.135
	(0.271)	(0.194)	(0.193)	(0.143)	(0.077)	(0.078)	(0.121)	(0.159)	(0.093)	(0.133)
Rep CEO	0.221	0.265	0.081	0.138	0.007	0.038	0.083	-0.121	-0.001	-0.063
	(0.233)	(0.170)	(0.165)	(0.123)	(0.063)	(0.061)	(0.130)	(0.139)	(0.085)	(0.111)
Firm×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	93,661	83,098	95,377	84,812	95,377	84,812	66,961	57,581	68,483	59,075
Adjusted R^2	0.504	0.555	0.447	0.494	0.154	0.183	0.606	0.611	0.553	0.567

Panel C: CEO Party, President Party, and Import Decisions

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		Extensive Margin *Have Import*		Intensive Margin *Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dem CEO×Dem President	0.536	0.543**	0.386	0.444***	0.122	0.144	0.205	0.072	0.184*	0.159
	(0.350)	(0.236)	(0.244)	(0.167)	(0.093)	(0.091)	(0.149)	(0.153)	(0.101)	(0.117)
Dem CEO×Rep President	0.327	0.464**	0.179	0.313**	0.022	0.080	0.324*	0.168	0.141	0.114
	(0.212)	(0.191)	(0.153)	(0.144)	(0.058)	(0.061)	(0.164)	(0.199)	(0.118)	(0.161)
Rep CEO×Dem President	0.268	0.274	0.141	0.179	0.038	0.056	0.005	-0.152	0.013	-0.043
	(0.288)	(0.200)	(0.203)	(0.139)	(0.075)	(0.072)	(0.145)	(0.145)	(0.091)	(0.107)
Rep CEO×Rep President	0.182	0.248	0.034	0.092	-0.017	0.017	0.131	-0.090	-0.009	-0.082
	(0.185)	(0.163)	(0.130)	(0.126)	(0.049)	(0.049)	(0.157)	(0.167)	(0.094)	(0.128)
Firm×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	93,661	83,098	95,377	84,812	95,377	84,812	66,961	57,581	68,483	59,075
Adjusted R^2	0.504	0.555	0.447	0.494	0.155	0.183	0.606	0.611	0.553	0.567

Table C2: **Separating Effects from Republicans and Democrats**

This table reports the effect of CEOs' partisan beliefs on their firms' import quantity. The sample is a firm-source country-product-semester panel. In columns (1) through (3), the sample includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. In columns (4) and (5), the sample includes only observations with positive import volume. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Rep President* and *Dem President* are indicator variables indicating whether the current U.S. administration is Republican or Democrat, respectively. *Rep CEO* and *Dem CEO* are indicators for whether a firm's CEO is affiliated with the Republican or Democratic party, respectively. *Other CEO* is an indicator that equals one if the firm's CEO is neither affiliated with the Republican party nor the Democrat party. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

			Extensive Margin	Intensive Margin	
Dep. Var.	*Log(1+Volume)*	*Log(1+Shipments)*	*Have Import*	*Log(Volume)*	*Log(Shipments)*
	(1)	(2)	(3)	(4)	(5)
Distance×*Rep President*×*Rep CEO*	-0.308***	-0.227***	-0.014	-0.296**	-0.187**
	(0.110)	(0.076)	(0.032)	(0.133)	(0.073)
Distance×*Dem President*×*Rep CEO*	-0.211**	-0.139*	0.006	-0.203	-0.129*
	(0.105)	(0.073)	(0.029)	(0.133)	(0.073)
Distance×*Rep President*×*Dem CEO*	-0.062	-0.138**	-0.029	-0.009	-0.091
	(0.103)	(0.062)	(0.019)	(0.120)	(0.073)
Distance×*Dem President*×*Dem CEO*	-0.126	-0.152**	-0.035**	-0.043	-0.124*
	(0.116)	(0.067)	(0.014)	(0.120)	(0.070)
Distance×*Rep President*×*Other CEO*	-0.065	-0.024	-0.005	0.094	0.004
	(0.414)	(0.414)	(0.119)	(0.340)	(0.323)
Distance×*Dem President*×*Other CEO*	0.018	0.003	-0.043	0.132	0.066
	(0.390)	(0.405)	(0.136)	(0.402)	(0.308)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes
Observations	68,962	70,877	70,877	47,844	49,606
Adjusted R^2	0.648	0.619	0.330	0.680	0.639

Table C3: **Board Partisanship and CEO Partisanship**

This table compares the effects of firm CEO partisanship and board members' partisanship in influencing firms' import decisions in response to geopolitical tensions. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Board Alignment* is the percentage of board members that are affiliated with the same party as the current President. In computing this measure, we only account for Democrat and Republican board members. *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Board Partisanship

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance	-0.164*		-0.122*	
	(0.098)		(0.062)	
Distance×*Board Alignment*	-0.061	-0.025	-0.077**	-0.038
	(0.046)	(0.048)	(0.033)	(0.041)
Firm×Country×Product	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	69,030	53,815	70,924	55,413
Adjusted R^2	0.633	0.661	0.603	0.624

Panel B: Board and CEO Partisanship

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*	
	(1)	(2)	(3)	(4)
Distance	-0.160*		-0.111*	
	(0.091)		(0.058)	
Distance×*Aligned CEO*	-0.089**	-0.112***	-0.061**	-0.081**
	(0.036)	(0.041)	(0.031)	(0.035)
Distance×*Board Alignment*	0.014	0.022	-0.025	0.004
	(0.051)	(0.051)	(0.043)	(0.044)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	68,962	53,743	70,877	55,367
Adjusted R^2	0.648	0.675	0.619	0.641

Table C4: **The Role of Firm Size - Extensive and Intensive Margin**
This table reports the effects of geopolitical tensions on the importing decisions by firms with large and small asset sizes. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. *Large* (*Small*) is an indicator that equals one if the firm's lagged asst size is above (below) the sample median, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.	Extensive Margin		Intensive Margin			
	Have Import		*Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)
Distance×*Small*	-0.022		-0.153		-0.144**	
	(0.027)		(0.107)		(0.056)	
Distance×*Large*	0.016		-0.090		-0.069	
	(0.021)		(0.127)		(0.071)	
Distance×*Aligned CEO*×*Small*	0.005	-0.014	-0.097**	-0.198***	-0.049*	-0.082*
	(0.010)	(0.010)	(0.049)	(0.063)	(0.029)	(0.043)
Distance×*Aligned CEO*×*Large*	-0.037***	-0.030**	-0.055	-0.114	-0.055	-0.088*
	(0.010)	(0.014)	(0.055)	(0.083)	(0.037)	(0.052)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes		Yes
Observations	70,477	54,999	47,621	34,820	49,381	36,019
Adjusted R^2	0.330	0.311	0.680	0.654	0.639	0.633

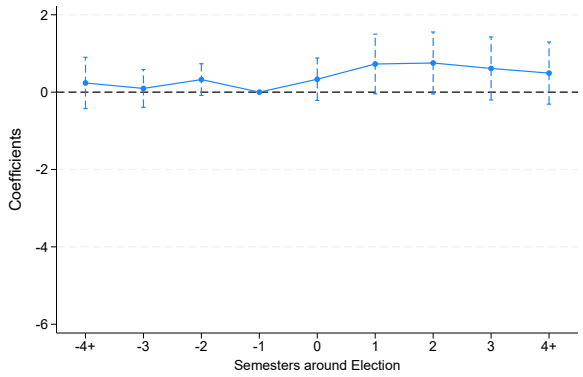
Appendix D Additional Evidence Regarding Foreign Elections

One implicit assumption in our empirical analysis is that foreign elections are shocks to geopolitical tensions, which change the ideological distances between sourcing countries and the U.S. We formally test this assumption in this section by comparing changes in ideological distances around election and non-election years.

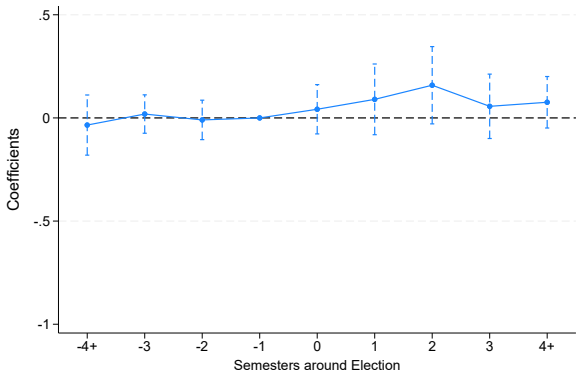
Specifically, we construct a stacked event sample in the following steps: We start with the set of sample source countries and collect all their elections, using data from Manifesto Project Database (MPD). For each foreign election, we first create an event time window spanning from one year after the last election to one year before the next election, so there are no other elections from the same country within this time window. Section 4.2 shows that most of the observations fall into the [4, +4]-semester window around the election. To be consistent with the event time window, we further keep observations within the [-2, 2]-year window of the election. We then stack all such election events together. For each country-year within the election event window, we define $|\Delta Distance|$ as the absolute value of the change in the ideological distance between a foreign country and the U.S. from one year before to one year after. We then define *Election Year* as an indicator that equals one if it is an election year and zero otherwise. Table E4 presents the results.

Panel A Column (1) controls for country and year fixed effects and shows that the changes in the ideological distance with the U.S. are significantly larger around election years than non-election years. Column (2) replaces the country fixed effects with the more stringent election fixed effects and continues to find similar results. Column (3) and (4) shows the results using elections during our sample period (i.e., from 2007 to 2020), and we continue to find similar results.

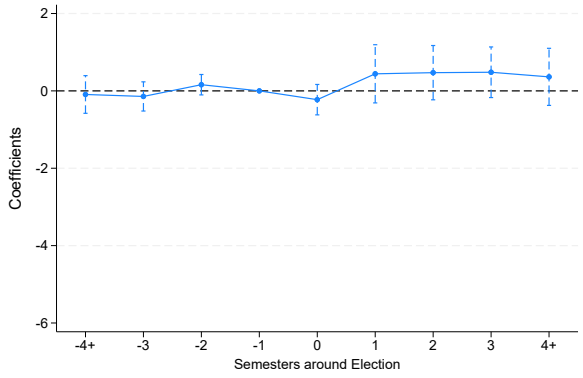
Panel B runs a placebo test, where we first count the total number of elections for each country and randomly select the same number of elections for the country. We don't find significant results. The lack of significant results is reassuring, indicating that the election plays an important role in driving the changes in ideological distance.



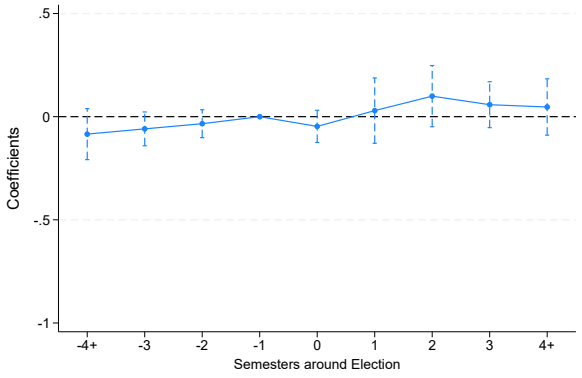
Panel A: Import Volume, $\Delta Distance$



Panel B: Import Volume, *Distance Increase*



Panel C: Import Shipments, $\Delta Distance$



Panel D: Import Shipments, *Distance Increase*

Figure D1: **Trade Around Foreign Elections.** This figure plots the results from event studies around close foreign elections, examining the differential effects of close elections that increase the ideological distance between foreign countries and the U.S. on the import decisions of firms. The benchmark group is close elections that decrease the ideological distance. Each panel presents the results for an import decision, *Log(1+Volume)* (Panels A and B) and *Log(1+Shipments)* (Panels C and D), respectively. The left column presents coefficient estimates from the interaction of $\Delta Distance \times 1_{t=e_t+k}$. The right column presents coefficient estimates from the interaction $Distance\ Increase \times 1_{t=e_t+k}$. Within each panel, the blue lines and dots represent the point estimates and the vertical lines represent 95 percent confidence intervals.

Table D1: **Effect of Foreign Election on Changes in Ideology Distance**
This table reports the results regarding the effects of foreign elections on the changes in the ideological distance between U.S. and a foreign country. The sample is a stacked event sample constructed in the following steps: We start with a set of foreign elections. For each foreign election, we construct an event time window that spans from one year after the last election to one year before the next election and restrict it to be within two years around the election, whichever is shorter. $|\Delta Distance|$ is the absolute value of the change in the ideological distance between a foreign country and the U.S. from one year before to one year after. *Election Year* is an indicator that equals one if it is an election year, and zero otherwise. Columns (3) and (4) include foreign elections between 2007 and 2020. Panel B reports the placebo test results, where we first count the total number of elections for each country and randomly select the same number of elections for the country. Standard errors are reported in parentheses and are heteroskedasticity robust and clustered by country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Changes in Distance Around Election Years

	All Elections		(2007, 2020)	
Dep. Var.: $\|\Delta Distance\|$	(1)	(2)	(3)	(4)
Election Year	0.015*	0.014*	0.019**	0.016**
	(0.008)	(0.008)	(0.009)	(0.007)
Country	Yes		Yes	
Year	Yes	Yes	Yes	Yes
Election		Yes		Yes
Observations	2,572	2,567	541	541
Adjusted R^2	0.406	0.509	0.237	0.262

Panel B: Placebo Test

	All Elections		(2007, 2020)	
Dep. Var.: $\|\Delta Distance\|$	(1)	(2)	(3)	(4)
Election Year	0.004	0.004	-0.003	-0.003
	(0.005)	(0.005)	(0.009)	(0.009)
Country	Yes		Yes	
Year	Yes	Yes	Yes	Yes
Election		Yes		Yes
Observations	3,263	3,263	770	770
Adjusted R^2	0.372	0.465	0.391	0.359

Appendix E Additional Robustness

Table E1: **Robustness Test for Close and Far Ideological Distances**
This table examines the effects of geopolitical tension on the import decisions of partisan firms, separately for countries with close and far ideological distances with the U.S. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Close* (*Far*) is an indicator that equals one if the ideological distance is below (above) the sample median, and zero otherwise. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

					Extensive Margin		Intensive Margin			
Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		*Have Import*		*Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Close	-0.995**		-1.061***		-0.355***		-0.841		-0.772**	
	(0.486)		(0.307)		(0.112)		(0.588)		(0.341)	
Distance×*Close*	0.144		0.147		0.065**		0.140		0.068	
	(0.123)		(0.094)		(0.033)		(0.166)		(0.107)	
Distance×*Far*	-0.217*		-0.221***		-0.051*		-0.166		-0.192***	
	(0.119)		(0.074)		(0.028)		(0.131)		(0.069)	
Distance×*Aligned CEO*×*Close*	-0.093*	-0.152**	-0.069*	-0.084	-0.017*	-0.015	-0.078	-0.222**	-0.037	-0.088
	(0.051)	(0.074)	(0.039)	(0.058)	(0.010)	(0.011)	(0.057)	(0.100)	(0.039)	(0.068)
Distance×*Aligned CEO*×*Far*	-0.078**	-0.124***	-0.063**	-0.082**	-0.016**	-0.020**	-0.066	-0.179**	-0.041	-0.085*
	(0.037)	(0.043)	(0.028)	(0.035)	(0.008)	(0.009)	(0.040)	(0.068)	(0.026)	(0.047)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	68,962	53,743	70,877	55,367	70,877	55,367	47,844	34,996	49,606	36,197
Adjusted R^2	0.648	0.675	0.619	0.641	0.330	0.311	0.680	0.655	0.639	0.634

Table E2: **Poisson Regressions and Inverse Hyperbolic Transformation**
This table examines the effects of geopolitical tension on the import decisions of partisan firms using Poisson regressions and inverse hyperbolic transformation. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Poisson Regression

Dep. Var.:	*Volume*			*Shipments*		
	(1)	(2)	(3)	(4)	(5)	(6)
Distance	-0.150	-0.120		-0.015	-0.022	
	(0.105)	(0.118)		(0.058)	(0.056)	
Distance×*Aligned CEO*	-0.118**	-0.128**	-0.028	-0.089***	-0.092***	-0.111**
	(0.060)	(0.065)	(0.126)	(0.031)	(0.027)	(0.047)
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes
Firm×CEO×Country	Yes			Yes		
Firm×CEO×Country×Product		Yes	Yes		Yes	Yes
Country×Product×Time			Yes			Yes
Observations	63,936	63,736	48,259	66,053	65,870	49,860
Pseudo R^2	0.880	0.912	0.954	0.731	0.778	0.826

Panel B: Inverse Hyperbolic Transformation

Dep. Var.:	$sinh^{-1}$*(Volume)*			$sinh^{-1}$*(Shipments)*		
	(1)	(2)	(3)	(4)	(5)	(6)
Distance	-0.162*	-0.171*		-0.122*	-0.128*	
	(0.097)	(0.099)		(0.065)	(0.066)	
Distance×*Aligned CEO*	-0.100***	-0.098**	-0.125***	-0.084***	-0.084***	-0.097**
	(0.037)	(0.038)	(0.044)	(0.028)	(0.029)	(0.039)
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes
Firm×CEO×Country	Yes			Yes		
Firm×CEO×Country×Product		Yes	Yes		Yes	Yes
Country×Product×Time			Yes			Yes
Observations	68,994	68,962	53,743	70,905	70,877	55,367
Adjusted R2	0.564	0.636	0.662	0.536	0.603	0.623

Table E3: **Robustness Test Using Alternative Samples**

This table examines the effects of geopolitical tension on the import decisions of partisan firms. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. Panel A excludes observations imported from Mexico and Canada and Panel B excludes observations imported from China and Russia. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Excluding Mexico and Canada

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		Extensive Margin *Have Import*		Intensive Margin *Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Distance	-0.151*		-0.116**		-0.003		-0.122		-0.105*	
	(0.088)		(0.057)		(0.022)		(0.115)		(0.063)	
Distance×*Aligned CEO*	-0.077**	-0.100**	-0.066***	-0.075**	-0.016**	-0.023**	-0.068*	-0.146**	-0.047**	-0.076*
	(0.033)	(0.038)	(0.025)	(0.033)	(0.007)	(0.009)	(0.036)	(0.061)	(0.022)	(0.040)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	68,318	53,453	69,914	54,782	69,914	54,782	47,426	34,880	48,920	35,859
Adjusted R^2	0.650	0.676	0.620	0.641	0.330	0.309	0.680	0.655	0.639	0.634

Panel B: Excluding China and Russia

Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		Extensive Margin *Have Import*		Intensive Margin *Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Distance	-0.097		-0.097		-0.016		0.001		-0.040	
	(0.121)		(0.086)		(0.034)		(0.136)		(0.083)	
Distance×*Aligned CEO*	-0.061	-0.105*	-0.067*	-0.100*	-0.021*	-0.041**	-0.055	-0.166**	-0.043*	-0.078
	(0.040)	(0.053)	(0.035)	(0.056)	(0.012)	(0.018)	(0.044)	(0.078)	(0.024)	(0.057)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	46,735	32,273	48,536	33,821	48,536	33,821	31,563	20,198	33,218	21,300
Adjusted R^2	0.602	0.627	0.554	0.568	0.322	0.293	0.657	0.606	0.578	0.546

Table E4: **Using Alternative Outcome Variable**

This table examines the effects of geopolitical tension on the import decisions of partisan firms, using alternative measures of import quantity. The sample is a firm-source country-product-semester panel and includes firm-country-product pairs with active import transactions, i.e., firm-country-product pairs with positive import volume for more than 50% of the time. *Weight* (*Containers*) refers to the total shipment weight in kilograms (number of containers) of products imported by the firm from a source country in a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. Columns (5) and (6) report the results using Poisson regressions as recommended by Cohn et al. (2022). See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Shipment Weight

	Log(1+Weight)		*Log(Weight)*	
Dep. Var.:	(1)	(2)	(3)	(4)
Distance	-0.280		-0.190*	
	(0.231)		(0.098)	
Distance×*Aligned CEO*	-0.286***	-0.295***	-0.069**	-0.126**
	(0.094)	(0.102)	(0.032)	(0.061)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	70,877	55,367	49,606	36,197
Adjusted R^2/Pseudo R^2	0.487	0.510	0.766	0.741

Panel B: Number of Containers

	Log(1+Containers)		*Log(Containers)*	
Dep. Var.:	(1)	(2)	(3)	(4)
Distance	-0.132*		-0.110	
	(0.069)		(0.079)	
Distance×*Aligned CEO*	-0.089***	-0.086**	-0.066**	-0.090*
	(0.030)	(0.037)	(0.028)	(0.046)
Firm×Product×Time	Yes	Yes	Yes	Yes
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes
Observations	70,877	55,367	49,606	36,197
Adjusted R^2/Pseudo R^2	0.635	0.663	0.675	0.675

Table E5: **Results from an Annual Panel**

This table examines the effects of geopolitical tension on the import decisions of partisan firms using annual frequency data. The sample is a firm-source country-product-year panel, aggregated from our baseline sample used in Table 3. *Volume* (*Shipments*) refers to the total shipment volume in TEUs (number of shipments) of products imported by the firm from a source country in a semester. *Have Import* is an indicator that turns to one if a firm imports a certain product from a source country during a semester. *Distance* represents the ideological distance between a foreign country and the U.S. based on their UN voting patterns (Bailey et al., 2017). *Aligned CEO* is an indicator that equals one if a firm's CEO is affiliated with the same party as the U.S. President, and zero otherwise. See Appendix B for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by firm and country. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

					Extensive Margin		Intensive Margin			
Dep. Var.	*Log(1+Volume)*		*Log(1+Shipments)*		*Have Import*		*Log(Volume)*		*Log(Shipments)*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Distance	-0.162		-0.121*		-0.002		-0.053		-0.092	
	(0.106)		(0.066)		(0.021)		(0.119)		(0.069)	
Distance×*Aligned CEO*	-0.085**	-0.118***	-0.073***	-0.089**	-0.009	-0.008	-0.082**	-0.173**	-0.067***	-0.113**
	(0.035)	(0.044)	(0.027)	(0.038)	(0.008)	(0.009)	(0.036)	(0.070)	(0.024)	(0.047)
Firm×CEO×Country×Product	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm×Product×Time	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country×Product×Time		Yes		Yes		Yes		Yes		Yes
Observations	33,930	26,272	34,904	27,023	34,904	27,023	27,587	20,608	28,495	21,237
Adjusted R^2	0.658	0.671	0.606	0.612	0.256	0.206	0.669	0.628	0.616	0.594