CEO Ideology and Global Trade *

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December 1, 2025

Preliminary Draft

Abstract

We study how the political ideology of corporate leaders shapes international trade. Exploiting changes in ideological alignment between U.S. firm CEOs and foreign governments around national elections, we show that firms reduce trade with a country when their CEO's ideological distance to the foreign government increases, relative to firms whose CEOs become more aligned. Firms led by CEOs who become more distant contract their trade networks, relying on fewer foreign partners and paying higher import prices on average. Textual analysis of earnings call transcripts indicates that shifts in CEOs' subjective beliefs about foreign macroeconomic risk are an important mechanism behind these patterns.

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

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1 Introduction

Geopolitical tensions have been on the rise, disrupting the increasingly interconnected economic relationships between nations. A large academic literature examines the effects of government-imposed trade barriers, such as tariffs, sanctions, and industrial policies, on international trade (see, e.g., Fajgelbaum and Khandelwal (2022); Irwin (2020), and Juhász, Lane, and Rodrik (2024)). Much less is known about "private sanctions" (Hart, Thesmar, and Zingales (2023))—firms severing ties with countries for reasons beyond profit or government policy, such as the political ideology of their leaders. Understanding the role of leadership ideology is particularly relevant given rising political polarization of U.S. executive teams (Fos, Kempf, and Tsoutsoura (2025)) and the emerging evidence that partisanship and political ideology influence economic decisions, even in high-stakes professional settings (see Kempf and Tsoutsoura (2024) for a review). If leaders' political views shape firms' trade relationships, this could have important implications for firms' import costs, the diversification of economic ties, and the broader trajectory of globalization.

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

To address these challenges, we compile a novel dataset combining granular trade transaction data from S&P Global's Panjiva database with U.S. CEOs' political affiliations from voter registration records. Following Kempf, Luo, Schäfer, and Tsoutsoura (2023), we measure ideological distance between U.S. CEOs and foreign governments using party ideology scores from the Manifesto Project Database (Volkens, Lehmann, Matthieß, Merz, Regel, and Weßels (2018)). We exploit national elections in foreign countries as a quasi-natural

experiment, using them as an exogenous source of variation in ideological distance. This allows us to compare changes in trade patterns between Democratic- and Republican-led U.S. firms trading with the same country around the same foreign election.

Our findings show that CEOs' political ideology significantly shapes firms' global trade activity. Following a foreign election, firms whose CEO experiences an increase in ideological distance are 4.5 percentage points less likely to import from that country relative to firms whose CEO experiences a decrease in distance. This effect remains economically meaningful when comparing U.S. firms importing the same product category, indicating that neither changes in product demand nor product-specific trade policies account for the result. Import quantities decline by 8.8 to 13.2 percent, using volume- and weight-based measures, respectively. The relative decline in trade begins in the election half-year and persists for at least two years, with no evidence of pre-trends. The effects are very similar in the subsample of close elections, where election outcomes are difficult to predict and thus provide even stronger conditions for causal identification.

Heterogeneity tests show that the relative decline in trade activity varies systematically across electoral environments and with the foreign country's sourcing advantage for the importing firm. Elections that shift foreign governments to the left generate larger differences in trade responses across ideological lines. The effect of CEO ideology is dampened when economic stakes are high for the importing firm, as measured by the foreign country's relative sourcing advantage; that is, the extent to which the U.S. firm imports large volumes at relatively low prices from that country. The effect is entirely driven by observations in the below-median group of relative sourcing advantage, indicating that firms are more reluctant to cut trade with very attractive suppliers.

We provide direct evidence that a plausible mechanism behind the documented trade response is subjective beliefs of U.S. CEOs about the foreign country, using two complementary approaches based on earnings call data. First, using the country-level sentiment and risk measures of Hassan, Schreger, Schwedeler, and Tahoun (2024), we show that when

CEOs become more ideologically distant from a foreign government, their firms' earnings calls have more discussion of country risks, but no statistically significant shift in country sentiment. This suggests that disagreement operates via perceived volatility rather than the first moment. To probe further, we use a large language model (LLM) to classify, at the sentence level, which aspect of a foreign country executives are discussing (macroeconomic, political, or firm-specific) and to code the associated sentiment and uncertainty. We find that increases in ideological distance are associated with a higher likelihood that executives describe the foreign macroeconomic environment in uncertain terms, with little change in the tone or perceived risk of firm-specific conditions or politics. The LLM analysis thus reinforces our interpretation that ideology operates primarily through subjective beliefs about the second moment of foreign macroeconomic outcomes.

We conduct additional analyses to rule out alternative interpretations. A within-supplier test shows that the adjustment is not initiated by foreign trade partners who might be differentially affected by the election outcome. Moreover, the results hold across CEOs with varying levels of public visibility, indicating that foreign governments or trade partners are unlikely to selectively target U.S. firms based on CEO politics.

Finally, we examine whether firms are willing to pay higher input prices for political alignment. We find that they do. Firms experiencing an increase in ideological distance face a 1.7% increase in average import prices following the election, relative to firms experiencing a decrease in distance. We also study how U.S. firms adjust their trade networks in response to shifts in ideological alignment. Rather than redirecting trade to new foreign partners, firms whose CEOs experience increased ideological distance reduce the overall number of import relationships. This pattern suggests that ideological distance leads to a contraction in the breadth of firms' trade networks, potentially reducing diversification and heightening vulnerability to country-specific shocks (e.g., Bonadio, Huo, Levchenko, and Pandalai-Nayar (2021)).

Taken together, our findings reveal that CEOs' political ideology has a meaningful

impact on global trade activity. Ideological misalignment with foreign governments leads U.S. firms to reduce trading activity, pay higher import prices, and contract the breadth of their international supplier base. Importantly, the vast majority of countries in our sample are not geopolitical adversaries, but democratic trading partners that together accounted for approximately 64% of U.S. foreign trade during our sample period. Finding that CEO ideology influences firm behavior in this context—not only in interactions with adversarial regimes—underscores the broad scope of ideological influences on cross-border economic activity. As political polarization deepens among U.S. corporate leaders, our results suggest that private firms may play an increasingly active role in narrowing the breadth of global supply chains, independently of formal policy.

The rest of this study proceeds as follows. In the next section, we discuss the related literature. Section 3 presents the data, sample construction, and summary statistics. Section 4 describes our empirical strategy. Section 5 presents our main results on how CEOs' ideological alignment with foreign governments influences their decision to engage in trade with a given country. Section 6 explores potential economic mechanisms. Section 7.2 provides evidence on changes in import prices and how firms reshape their sourcing network in response to shifts in political alignment. Section 8 concludes.

2 Related Literature

Our study contributes to several strands of the literature. First, it adds to the extensive body of work that examines the role of geopolitics in the context international trade. Much of this literature has focused on tariffs and other government-imposed interventions, estimating the costs of protectionist policies (see, e.g., Irwin (2020) and Juhász, Lane, and Rodrik (2024) for reviews). By examining how corporate leaders' political ideology shapes international economic exchange, our paper studies a firm-level trade friction and relates more closely to the emerging literature on "private sanctions"——firms severing ties with countries for reasons beyond profit or government policy (Hart, Thesmar, and Zingales

(2023)). This topic is particularly relevant given the growing political polarization of U.S. executive teams (Fos, Kempf, and Tsoutsoura (2025)), yet remains largely unexplored.[1] We address this gap by analyzing how CEOs' political ideology influences global trade activity.

In this strand of the literature, two contemporaneous papers are closely related to ours. Ayyagari, Gao, and Ma (2025) measure bilateral relations between the U.S. and foreign governments based on voting patterns in the UN General Assembly. They then examine how U.S. firms adjust their import decisions in response to changes in these bilateral relations, depending on whether their CEO is politically aligned with the U.S. administration. Their observed firm response likely reflects two effects: (i) ideologically driven differences in CEOs' views of foreign trade relationships, and (ii) the desire to strengthen political connections with the U.S. government by supporting its policies. In contrast, our paper focuses on identifying the ideological differences between CEOs and their effects on firms' foreign trade relationships, without conditioning on whether the CEO's ideology aligns with the U.S. administration. Moreover, we identify effects on import prices and provide direct effects on the underlying mechanism using textual analysis of earnings call transcripts.

The second contemporaneous paper is Charoenwong, Peng, and Wu (2025), which does not focus on CEO ideology but instead measures a firm's political leaning using its Political Action Committee (PAC) donations. They also find that a greater ideological distance between a firm and a foreign country leads to reduced imports from that country, but the decline in imports begins six months before the election.

Beyond global trade, a growing literature examines how political or ideological distance influences other forms of economic exchange. Duchin, Farroukh, Harford, and Patel (2022) find that the political distance between workforces affects M&A activity. Kempf, Luo, Schäfer, and Tsoutsoura (2023) show that ideological alignment with foreign govern-

[1] One notable exception is Chandler, Kim, Waddingham, and Hill (2023), who show that firms with Republican CEOs are more likely to enter foreign markets via acquisitions, whereas firms with Democratic CEOs are more likely to use strategic alliances.

ments shapes cross-border capital allocation by large U.S. institutional investors. Aiyar, Malacrino, and Presbitero (2024) show that geopolitical distance between countries affects foreign direct investment. Our paper also contributes to a broader understanding of how political ideology and polarization influence corporate decisions and firm outcomes (see Kempf and Tsoutsoura (2024) for a review).

3 Data

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

3.1 Global Trade Relationships

We use S&P Panjiva to obtain transaction-level records of physical goods traded between U.S. firms and international trade partners via vessels between 2007 and 2021. Panjiva collects these data from the U.S. Customs and Border Protection (CBP) using Bills of Lading (BOLs). The records provide the names and addresses of the U.S. buyers or sellers, product descriptions, imputed Harmonized System (HS) codes based on these descriptions, shipment dates, and the weight and quantities imported or exported. Panjiva also estimates the dollar value of a transaction based on publicly-available average unit values (Flaaen, Haberkorn, Lewis, Monken, Pierce, Rhodes, and Yi (2023)). For import records, Panjiva provides the names and addresses of foreign sellers, while export records include only the destination country without information on the identity of the buyer. Flaaen, Haberkorn, Lewis, Monken, Pierce, Rhodes, and Yi (2023) offer a comprehensive description of the Panjiva dataset.

We construct our sample following the approach in Smirnyagin and Tsyvinski (2022).

For the import data, we match U.S. buyers in Panjiva with entities covered by the Capital IQ database via a cross-reference table provided by Panjiva, and then aggregate these entities to their ultimate parent company, as outlined in Jain and Wu (2023). This allows us to attribute import transactions executed by multiple entities to the corresponding parent company. Next, we link these parent companies to Compustat using the crosswalk file provided by WRDS. We exclude shipments for which the supplier country is either unknown or the United States. For the export data, we proceed analogously by linking U.S. sellers to their parent companies in Compustat. Our primary analysis focuses on imports because they account for the majority of trade activity for most U.S. firms and because Panjiva allows us to identify the foreign trade partner at the firm-level for imports. But we separately examine exports in auxiliary tests.

We classify products into product categories based on their two-digit HS codes and will refer to these as "products" for brevity. Internet Appendix Table IA.1 provides descriptions for the top 15 product categories by trading volume in our sample. In our robustness tests, discussed in Section 5.2 below, we show that our main results are similar if we use finer product categories, such as six-digit HS codes.

We aggregate shipments at the U.S. firm $\times$ product $\times$ foreign country $\times$ half-year level. To focus on the most relevant trade relationships, we restrict the sample to the top five import countries for a given firm-product pair, defined based on the total import volume (in TEU) during the entire sample period, respectively. When we study exports, we restrict to the top five export countries analogously. A detailed description of the data cleaning steps is provided in the Internet Appendix IA.A.1.

3.2 Import Prices

Because Panjiva only provides estimated dollar values of the shipments and does not disclose its approach, we construct our own measure of import prices using annual bilateral trade data from the CEPII BACI database, which provides global coverage of trade values

(in nominal USD) and quantities (in metric tons) at the HS six-digit level. CEPII BACI is built on UN COMTRADE data by reconciling exporter and importer declarations into a single harmonized flow Gaulier and Zignago (2010). It provides full partner coverage and standardized quantity units, and has been widely used in international trade research (e.g., Adão et al. (2022); Ma and Schmidt-Eisenlohr (2025)). For each year, two-digit HS code, and origin country, we aggregate HS six-digit import values and quantities to compute an average unit price in USD per metric ton.

3.3 Ideological Distance

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

First, we obtain data on foreign elections from the Manifesto Project Database (MPD), which covers national lower-house elections in over 50 countries.[2] The information provided by the MPD includes the election date and the popular vote shares of each party. When multiple parties form a pre-electoral alliance to contest an election, we treat the alliance as a single political group and calculate the vote share for the alliance as the sum of the individual parties' vote shares.[3] For each election, we then consider the party or the alliance with the highest vote share as the winning party.

Although the MPD does not cover every U.S. trade partner—most notably China, which lacks competitive multi-party elections and therefore party manifestos—the countries in the MPD still represent a substantial share of U.S. foreign trade. Using the U.S. Census Bureau's "U.S. Trade in Goods by Country" data, we estimate that MPD-covered countries

[2]See Volkens, Lehmann, Matthieß, Merz, Regel, and Weßels (2018) for a detailed description of the database. For South American countries, MPD mainly covers presidential elections.

[3]To identify which parties are part of the same pre-electoral alliance, we link the MPD with the Varieties of Party Identity and Organization (V-Party) Dataset, available at `https://www.v-dem.net/data/v-party-dataset/`.

accounted for approximately 64 percent of total U.S. foreign trade during our sample period, and they account for approximately 40-56% of all U.S. maritime trade in Panjiva (depending on the quantity measure used). Thus, the set of foreign countries that we are able to study encompasses a substantial share of U.S. foreign trade, making our findings economically relevant.

Because the Panjiva data span the years 2007 to 2021, we focus on elections taking place between 2009 and 2019 to capture at least two years of data before and after each election. After restricting to elections in countries where U.S. firms commonly trade, we obtain a sample of 132 foreign elections in 47 countries. About 54 of these elections involve a change in the victorious party. The average (median) margin of victory, measured as the absolute difference between the highest and the second-highest vote share, is 10.4 (7.8) percentage points.

In addition to data on election outcomes, the MPD also provides a standardized assessment of each political party's ideology by coding their electoral manifestos. Using each party's election program, the MPD classifies a party's position across various policy dimensions—some of which are pre-assigned as left or right based on the left-right political spectrum outlined by Laver and Budge (1992).[4] The approach uses publicly available pre-election documents and represents the most commonly used measure to gauge policy positions (Budge (2001)). Measuring party ideology through electoral manifestos offers a key advantage: the content is publicly available before an election. Moreover, prior research shows a strong link between manifesto positions and subsequent government spending priorities (e.g., Budge and Hofferbert (1990)).

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

[4]We provide the full list of left and right policy positions in Internet Appendix Table IA.3.

Second, to infer the political affiliations of U.S. CEOs, we begin with all CEOs of U.S.-headquartered firms covered in the S&P ExecuComp database. We infer executives' political affiliations from voter registration records, which we obtain from two sources, as in Fos, Kempf, and Tsoutsoura (2025). Specifically, we combine voter registration records obtained directly from the boards of election in California (Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma), Colorado, Illinois, Massachusetts (Boston, Cambridge), North Carolina, New Jersey, New York (New York City), Ohio, and Texas, with commercial voter data from L2, Inc., which covers registered voters in all 50 states (and DC) going back to 2014. See Fos, Kempf, and Tsoutsoura (2025) for a detailed description of the two data sources.

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

We match CEOs to voters using their full names, age, and location, as described in Internet Appendix IA.A.2. Of the 4,383 U.S. CEOs in ExecuComp during our sample period, we successfully match 3,182 to a unique voter in the voter registration data.

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

3.4 Sample Construction

To construct our final sample, we proceed as follows. Our starting point is the set of U.S. firms covered in the Panjiva trade data, which can be linked to Compustat and are led by either a Republican or a Democratic CEO. Internet Appendix IA.A.3 provides a detailed breakdown of the number of U.S. firms remaining at each matching step. We then stack up the foreign election events covered in the MPD database in event time, and select all firm-product pairs with at least one importing record with the foreign country during a four-year window around the election (i.e., nine half-year periods: four pre-election periods, one event period, and four post-election periods). Our final election sample covers 759 U.S. firms, which are run by 923 partisan CEOs and trade with 49 foreign countries around 137 foreign elections.

In one of our robustness tests, we restrict the sample to close elections, defined as those in which the vote share difference between the winning party and the runner-up is less than five percentage points, following Akey (2015) and Heitz, Wang, and Wang (2023). This subsample comprises 577 U.S. firms trading with 25 countries around 38 elections.

Internet Appendix Figure IA.1 reports the percentage of firm-year observations led by Democratic and Republican CEOs. The majority of CEOs are affiliated with the Republican party, with Republican CEOs accounting for about 77% of observations.

Table 1 reports summary statistics for our sample. Conditional on trading a given product category in a given half-year, the likelihood that a firm imports at least one shipment from a given foreign country during a given half-year is 51%. The average firm exchanges approximately five shipments with the average foreign country, with a combined volume of 11.3 TEUs, a total cargo weight of 321 tons, and an estimated goods value of ca. $1.3 million. The distribution of quantities and value of goods traded is highly skewed, consistent with the observation by Bernard, Jensen, Redding, and Schott (2009) that a small percentage of firms account for the vast majority of U.S. foreign trade. The average firm imports from about 3.2 countries and 6.6 suppliers in a given product category. Within

each two-digit product category and partner country, firms trade only a few more granular product codes: on average, 1.6 distinct six-digit HS codes.

4 Empirical Strategy

This section outlines the empirical framework used to identify the effect of CEO ideological alignment with foreign governments on firms' international trade activity. Our central hypothesis is that firms led by CEOs who are ideologically more distant from the ruling party in a foreign country are less likely to engage in trade with that country.

Isolating the effect of CEO ideological alignment is empirically challenging. First, the ideological alignment between a Democratic or Republican CEO and the elected party in the foreign country may correlate with other measures of proximity, such as commonality of language, religion, or culture. For example, a Hispanic CEO might be more likely to engage in trade with Spanish-speaking countries, and she may also be more likely affiliated with the Democratic party.[5] Second, the profitability of trade with a foreign country may be directly affected by elections due to changes in bilateral political and regulatory relationships (e.g., Silvers (2021)). For example, if a newly elected party adopts a more hostile stance toward the United States, American firms may sever economic ties with that country to avoid obstacles like tariffs or stricter regulations. Further complicating causal inference, Democratic- and Republican-led firms may specialize in different industries and product categories, creating a potential wedge in their exposure to macroeconomic shocks and trade-policy changes.

Our empirical strategy addresses these challenges by comparing the trade behavior of U.S. firms led by Democratic and Republican CEOs importing the same product category from the same foreign country around the same election. Consider the following thought experiment: Two U.S. firms—one led by a Republican CEO and the other by a Demo-

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

cratic CEO—import from suppliers located in Italy. Following the Italian general election in 2013, the incumbent party "Center-right coalition" was succeeded by the center-left "Italy. Common Good" alliance. As a result, the ideological distance to the ruling party increases for the Republican CEO and shrinks for the Democratic CEO. We can therefore implement a difference-in-differences design that compares changes in each firm's likelihood of importing from Italy before and after the election. This approach allows us to isolate the effect of the CEO's ideological alignment from other time-invariant dimensions of proximity (e.g., cultural or linguistic) and to account for contemporaneous changes in trade policy, which should affect both U.S. firms equally. By further comparing firms within the same product category, we can control for differences in exposure to macroeconomic shocks and changes in product-specific trade policies.

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

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

where $Ideology_{fec}^{CEO}$ denotes the left-right ideology score of firm f's CEO at the end of the year prior to election e in foreign country c, measured based on the most recent manifesto of the CEO's political party. $Ideology_{ec}^{Winner}$ refers to the ideology score of the party or alliance receiving the highest vote share in election e, measured using the party manifesto in election e. When multiple parties run as a pre-electoral alliance, we assign the alliance the ideology score of the member party that receives the largest share of votes. We define $Ideology_{\underline{e}c}^{Winner}$ analogously, but with respect to election $\underline{e}$, that is the most recent election in country c prior to election e. Fixing the CEO's ideology score at its value one year before election e ensures that $\Delta Distance_{fec}$ captures solely the outcome of the foreign election, not shifts in the CEO's ideological position. We then define $Distance\,Increase_{fec}$ as an indicator equal to one if $\Delta Distance_{fec}$ is non-negative, and zero otherwise.[6]

[6]Due to the very small number of observations with a change in ideological distance equal to exactly

Internet Appendix Table IA.2 provides examples that illustrate the computation of $\Delta Distance_{fec}$ for the 2013 general election in Italy and for the 2012 election in France. As illustrated by the two examples, variation in our *Distance Increase* variable is generated only by elections in which Republicans experience an increase in ideological distance and Democrats experience a decrease, or vice versa. For example, the 2012 French election of the Socialist Party of François Hollande would not generate such variation, as both Republicans and Democrats experienced an increase in ideological distance following the election. About 46% of the elections in our sample provide such identifying variation.

Internet Appendix Table IA.4 reports information on sample selection. We regress $Distance\,Increase_{fec}$ on observable firm and CEO characteristics and find that firms experiencing an increase in ideological distance are very similar to distance-decrease firms on many standard sourcing network, firm, and CEO characteristics (e.g., imported quantities, breadth of the sourcing network, firm size, leverage, profitability, aggregate import quantities, CEO age, CEO prominence). Internet Appendix Figure IA.2 further shows that the share of distance-increase firms is around 40-60% and similar across industries.

We then estimate the following regression:

$$Import_{fecpt} = \alpha_{ect} + \alpha_{fec} + \alpha_{pt} + \beta Distance\,Increase_{fec} \times Post_{ect} + \epsilon_{fecpt}, \qquad (2)$$

where $Import_{fecpt}$ is an indicator equal to one if firm f has imported at least one shipment from foreign country c in product category p in half-year t around election e. The indicator $Post_{ect}$ takes a value of one if half-year t falls in the post-election period (i.e., $\tau = 0$ to $\tau = +4$), and zero if it falls in the pre-election period (i.e., $\tau = -4$ to $\tau = -1$). We define the event window to span half-years $\tau = -4$ to $\tau = +4$ to avoid many overlapping event

zero, our results are not sensitive to how we treat these observations. We prefer a binary treatment variable over a continuous measure in our baseline specification, given the recent literature highlighting issues with difference-in-differences designs with non-binary treatments and high-dimensional fixed effects (de Chaisemartin and D'Haultfœuille (2020); de Chaisemartin and D'Haultfoeuille (2022)). Moreover, a binary treatment variable allows us to be agnostic about the exact functional form linking ideological distance to the propensity of maintaining trade relationships.

windows, as the median time interval between parliamentary elections in a given country is four years. We stack our sample by country and election date, thus addressing concerns regarding differential weighting of events occurring earlier versus later in the sample period, as noted by de Chaisemartin and D'Haultfœuille (2020), Callaway and Sant'Anna (2021), and Baker, Larcker, and Wang (2022). Due to some overlapping event windows, the unit of observation is a firm × election × product × half-year rather than a firm × country × product × half-year. Because our objective is not to predict whether a firm imports a given product category, but rather from which country it sources conditional on importing, we exclude half-years in which the firm does not import from any foreign country in that product category. We estimate equation (2) using a linear probability model, with standard errors clustered at the level of our treatment (CEO party × election), as recommended by Abadie, Athey, Imbens, and Wooldridge (2022).

By including election × time fixed effects (α_{ect}), which subsume country × time fixed effects, we are able to control for the direct macroeconomic impact of the election. Since our sample only consists of U.S. firms, these fixed effects also absorb potential time variation in the bilateral relations between the U.S. and foreign countries. By including firm × election fixed effects (α_{fec}), which subsume firm × country fixed effects, we can control for any time-invariant differences in trade relationships across firm-country pairs. For example, we can rule out the possibility that firms consistently trade more with certain countries because of closer religious, ethnic, or cultural ties between corporate leaders and these countries, or because they already have well-established trading networks. Finally, we include product × time fixed effects (α_{pt}) to control for time-varying, product-specific trade policy changes or demand shocks.

Our main tests focus on the extensive margin, because it can be measured precisely in the Panjiva data and because firms' extensive margins are important for understanding aggregate patterns in global trade (Bernard, Jensen, Redding, and Schott (2009)). But we also estimate equation (2) using imported quantities as the dependent variable.

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

$$Import_{fecpt} = \alpha_{ect} + \alpha_{fec} + \alpha_{pt} + \sum_{\tau=-3}^{\tau=+4} \beta_\tau Distance\,Increase_{fec} \times D^\tau_{ect} + \epsilon_{fecpt}, \quad (3)$$

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

5 CEO Ideological Alignment and Foreign Trade

In this section, we examine the effect of CEO ideological alignment on firms' foreign trade activity. Section 5.1 presents the main results. Sections 5.2 and 5.3 discuss the results from our robustness and heterogeneity tests, respectively.

5.1 Main Results

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

Table 2, Panel A presents the results from the estimation of equation (2). The coefficient of interest, $Distance\,Increase \times Post$, captures the effect of an increase in the CEO's ideological distance on the likelihood of importing from a foreign country, relative to firms with a decrease in the CEO's ideological distance. The estimates suggest that firms whose CEO experiences an increase in ideological distance are about 4.5 percentage points (pp) less likely to import from the foreign country following the election, relative to firms whose CEO experiences a decrease in the ideological distance. This effect corresponds to an 8.4% (=–0.043/0.51) to 8.8% (=–0.045/0.51) decline relative to the unconditional probability of importing (see Table 1), depending on the exact specification used.

To put this economic magnitude into perspective, we can compare it to firms' trade responses to other economic shocks documented in the literature. Unsurprisingly, the effect

of CEO ideology is small relative to that of government interventions. As a comparison, Alfaro, Brussevich, Minoiu, and Presbitero (2025) also use Panjiva data and find that, during the 2018-2019 U.S.–China trade tensions, tariff-hit firms were 60 pp more likely to exit a trade relationship with a Chinese supplier. Although the magnitude of our effect is only about one-tenth of that estimate, one must consider that foreign elections are much more frequent events. The effect of CEO ideological distance is comparable to other firm-level shocks studied in the literature, such as suppliers experiencing an environmental or social (ES) incident (Bisetti, She, and Zaldokas (2025)), a perceived increase in firms' physical climate risk (Pankratz and Schiller (2023)), or a CEO turnover (Intintoli, Serfling, and Shaikh (2017)).

Our most demanding specification in column (3), with the full set of fixed effects, ensures that our results are not driven by several potentially important confounding factors: (i) election × time fixed effects absorb any time-varying economic or political shocks triggered by the election, such as shifts in bilateral relations or foreign macro-conditions, that could influence all U.S. firms importing from the country; (ii) firm × election fixed effects eliminate persistent firm-country preferences—for example, a firm that systematically trades more with culturally proximate nations; and (iii) product × time fixed effects control for product-specific demand shifts or policy changes (e.g., tariffs on a particular good).

Panel B reports the estimated changes in the quantity and estimated value of goods traded. To also include the extensive margin, we follow Boehm, Levchenko, and Pandalai-Nayar (2023) and use the inverse hyperbolic sine transformation of the dependent variable. This transformation allows us to include half-years without any imports from the given foreign country, while approximating logs for larger values of the data. Coefficients can thus be approximately interpreted as log points. We observe significant declines in the number of shipments (column (1)), in the number of twenty-foot equivalent units (TEU) (column (2)), and in the estimated cargo weight in tons (column (3)), with magnitudes

ranging between 8.8% (=1–exp(-0.092)) for volume and 13.2% (=1–exp(-0.141)) for weight. The estimated dollar value of goods imported declines by 20% (=1–exp(-0.219)) on average (column (4)).

To shed light on the timing of the effect, Figure 1 plots the coefficients β_τ from equation (3). The omitted period is $\tau = -4$, meaning that all subsequent differences are measured relative to the difference at $\tau = -4$. The figure illustrates a relative decline in the propensity to trade for CEOs with increased ideological distance, compared to those with decreased ideological distance, following the election. The decline begins in the half-year that contains the election and continues for the next four half-years. Importantly, there is no evidence of pre-trends in the period before the election.

While the patterns in Figure 1 already mitigate concerns about potential anticipation or endogeneity of the election result, we conduct a robustness test in Internet Appendix Table IA.5, where we restrict the sample to close elections. The magnitudes estimated in this subsample are even larger than those in our baseline.

5.2 Extensions and Robustness

Our main analysis focuses on imports because they account for the majority of trade activity for most U.S. firms and offer more granular information on the foreign trade partner at the firm level. Internet Appendix Table IA.6 separately examines exports. In terms of magnitude, we find that firms whose CEO experiences an increase in ideological distance are 1.6 pp less likely to export to the foreign country following the election (see Panel A). Relative to the unconditional sample mean, this effect represents a 3% (=–0.016/0.55) decline. However, the effect is statistically insignificant. However, when we restrict the sample to close elections in Panel B, the magnitudes are large and statistically significant. Close elections outcomes are more unexpected, occur in more uncertain environments, and seem to have a larger impact on both imports and exports.

In Internet Appendix Table IA.7, we report the results of alternative specifications for

our preferred specification reported in column (3) of Panel A, Table 2. In Panel A, we include even more granular fixed effects, such as election × product × time or (and) firm × product × election fixed effects, to address the concern that elections may lead to heterogeneous trade policy changes across different product categories and CEO ideology being correlated with the type of products traded. The reduction in the number of observations reflects the difficulty of finding sufficient variation among U.S. firms trading the same product with the same foreign country during the same election cycle. Importantly, however, the economic magnitude of the estimated effect remains fairly stable and is always statistically significant. In addition, we also include firm state × time fixed effects to account for shocks common to firms' importing decisions in a specific state and time (e.g., state-level port disruptions, changes in local logistics capacity, or state-specific demand shocks). The effect remains unchanged.

In Panel B, we adopt the finest product category definition based on six-digit HS codes. The coefficient is –3.1 pp, representing a 10% decline relative to the unconditional mean of 0.31, and is statistically significant. In Panel C, we find qualitatively similar results if we use the continuous change in ideological distance based on the Manifesto ideology score ($\Delta Distance$) or if we use the average ideological position of party voters on a left–right scale (1 to 10), as provided by the Global Party Survey (GPS) and the World Value Survey Database. Finally, our results remain highly statistically significant if we cluster by firm × country, by CEO party × election and time, by product × country, by firm and country, and by firm alone (see Panel D).

5.3 Heterogeneity

In this section, we perform a series of heterogeneity tests to examine how firms' trade responses vary across different electoral environments, product characteristics, sourcing advantages, and firm-country trade relationships.

First, we examine heterogeneity across electoral environments. We begin by testing

whether our baseline effect is symmetric across elections that shift foreign governments to the left or to the right. Specifically, we classify an election as a "left-government shift" (or "right-government shift") if the winning party's ideology moves to the left (or to the right) relative to that of the previous winning party. We plot the corresponding coefficients in Figure 2. The reduction in trade following a distance increase is concentrated in left-government shifts. One interpretation is that, because many foreign governments in our sample tend to be to the left of both U.S. parties—increase is concentrated in left-government shifts. One interpretation is that the U.S. party system—and the typical U.S. CEO— leftward shifts tend to move them into regions of the ideological space where post-election distance is especially high, whereas rightward shifts often leave ideological distance relatively moderate. Other mechanisms may also contribute, however, such as asymmetric beliefs about macroeconomic and regulatory risk under left versus right governments.

Second, we expect our effects to be stronger when elections generate larger or more salient shifts in ideological distance. To test this prediction, we consider four types of elections: those with large versus small ideological changes, and those in which the ruling party changes versus remains in office. We measure the ideological change between successive governments as the absolute difference between the ideological score of the newly winning party and that of the previous winning party, and classify elections as "large ideological change" if this measure is above the median and "small ideological change" otherwise. Panel A of Internet Appendix Table IA.8 shows that the effect in large-change elections is roughly 1.5 times as large as in small-change elections. Consistent with this pattern, elections that result in a change of the ruling party also exhibit somewhat larger effects.

Third, we explore the role of ex ante economic uncertainty. Intuitively, CEOs' political beliefs should matter most when the economic stakes are highest: in countries with relatively stable macroeconomic environments, policy is more predictable regardless of which party is in power, whereas in countries with more uncertain conditions, CEOs may rely more heavily on whether the government shares their worldview when assessing the risks

of maintaining trade relationships. We therefore expect larger effects in elections held under higher uncertainty. Using the World Uncertainty Index of Ahir, Bloom, and Furceri (2022), we classify elections as "high uncertainty" if the index in the quarter before the election is above the within-year median across countries, and "low uncertainty" otherwise. Consistent with this prediction, Panel A of Internet Appendix Table IA.8 shows that the effect for high-uncertainty elections is larger—approximately twice as large—than for low-uncertainty elections.

Fourth, the effect of ideology should be muted when switching suppliers is very costly. Intuitively, when the costs of establishing alternative sourcing relationships are high, firms are more likely to tolerate increased perceived risk rather than incur the expense of finding new suppliers. We test this prediction using two complementary proxies for switching costs: product homogeneity and the ex-ante sourcing advantage offered by the focal country. We begin with product homogeneity, which provides a clean, exogenous measure of substitutability. Following Rauch (1999), we classify products as homogeneous or differentiated based on whether more than 90% of items within a category are classified as differentiated. The assumption is that switching is more costly for complex, differentiated products where close substitutes are scarce. Panel B of Internet Appendix Table IA.8 shows that the effect of ideology is significantly larger for homogeneous products, consistent with the prediction that firms can more easily substitute away from ideologically distant suppliers when products are standardized.

We next examine a firm-product-country-specific measure of sourcing advantage, which captures the extent to which a firm imports large volumes at relatively low prices from the election country. Specifically, we compute (1) the difference between the firm's average import price for product p in non-election countries and in the election country over the two years preceding the election, and (2) the share of the firm's imports of product p sourced from the election country over the pre-election period. We then take the product of (1) and (2) as our measure of relative sourcing advantage and define indicator variables

based on the 75th, 50th, and 25th percentiles of its distribution across all elections within a given election year. Interacting these indicators with our baseline specification in equation (2), we estimate the following equation:

$$\begin{aligned} Import_{fecpt} = \alpha_{ect} + \alpha_{fec} + \alpha_{pt} + \delta Distance\,Increase_{fec} \times Post_{ect} \\ + \sum_{k=2}^{4} \beta_k Distance\,Increase_{fec} \times Post_{ect} \times D_{fp}^{k} \\ + \sum_{k=2}^{4} \theta_k Distance\,Increase_{fec} \times D_{fp}^{k} \\ + \sum_{k=2}^{4} \kappa_k Post_{ect} \times D_{fp}^{k} + \sum_{k=2}^{4} \lambda_k D_{fp}^{k} + \epsilon_{fecpt}, \end{aligned} \tag{4}$$

where D_{fp}^{k} refers to indicator variables equal to one when our measure of relative sourcing advantage falls within a certain range, and zero otherwise.

The relevant coefficients are plotted in Figure 3. The results reveal a non-monotonic pattern: the trade response is largest for countries between the 25th and 50th percentiles of sourcing advantage, smaller but still economically and statistically significant for those below the 25th percentile, and nearly absent for those above the 50th percentile. This pattern is consistent with two complementary forces. First, firms are reluctant to reduce imports from their most advantageous suppliers (above the 50th percentile), where switching costs are highest and the forgone cost benefits would be substantial. Second, for countries offering minimal sourcing advantages (below the 25th percentile), the firm may have already been sourcing infrequently, limiting the scope for further reductions. The strongest effects emerge in the intermediate range, where the country offers moderate sourcing advantages.

Finally, we examine whether the effects operate primarily through reduced formation of new trade relationships or through termination of existing relationships. We estimate our baseline specification (equation (2)) separately for countries with which the firm has active trade relationships and for those with which it does not. We define a country as having an active relationship if the U.S. firm imported goods during the two years prior to

the election. The results, reported in Internet Appendix Table IA.9, show that ideological distance has a substantially larger effect on new relationship formation (Panel B) than on countries with no pre-election trade (Panel A). This asymmetry is consistent if there are fixed costs of establishing a trade relationship: firms that have already incurred the fixed cost of establishing a relationship are more willing to tolerate increases in perceived risk, while potential new relationships face a higher bar for entry when ideological distance increases. However, the pattern is also consistent with an information-based mechanism: firms with active trade relationships may have access to richer, more granular information about the election country through their suppliers and business networks, reducing their reliance on perceived macroeconomic risk.

6 Economic Mechanism

So far, we have shown that the ideological alignment of CEOs with foreign political parties influences their propensity to trade with those countries. We interpret this as evidence that CEO ideology shapes cross-border trade decisions through their economic perception of the foreign country. For example, ideologically misaligned CEOs may be more pessimistic about the economic benefits of trading with a foreign country, e.g., because they perceive heightened political and economic risks. This section provides novel evidence from conference calls to support this subjective beliefs channel.

6.1 Subjective Beliefs: Evidence from Earnings Calls

To provide evidence on the subjective belief channel, we begin by analyzing the firm $\times$ country $\times$ quarter level data from Hassan, Schreger, Schwedeler, and Tahoun (2024) (HSST). HSST measure how much risk managers and investors at each firm associate with a given country by applying textual analysis to global firms' earnings-call transcripts. For each firm–country–quarter, they compute the share of the call spent discussing that country in

the immediate vicinity of synonyms for risk or uncertainty. They construct country sentiment in an analogous way, but replace risk/uncertainty terms with positive and negative tone words around country-specific phrases, yielding a first-moment measure that captures whether discussion about a given country is on balance positive or negative.

We calculate the average perceived country-risk and country-sentiment across all earnings calls in a given half-year for each firm-country pair, and then re-estimate our main difference-in-differences specification at the firm–election–half–year level. Because the risk and sentiment measures can take negative values, the dependent variable is the inverse hyperbolic sine transformation of the average country sentiment and country risk.

Table 3, Panel A, presents the results. Columns (1) and (2) show that firms experiencing an increase in ideological distance tend to express more negative country sentiment following the election, but this effect is not statistically significant. In columns (3) and (4), we find statistically significant differences for perceived country risk: firms whose CEO experiences an increase in ideological distance are 9.4% more concerned about risk in the foreign country relative to firms whose CEO experiences a decrease in distance. These findings suggest that ideological distance systematically shapes executives' subjective assessments of foreign country risk.

While the firm $\times$ country level sentiment and risk measures in HSST provide valuable information, they do not reveal which specific aspects of a foreign country executives are discussing (e.g., politics, macroeconomic conditions, or firm-specific factors). We therefore construct our own topic-specific measure of sentiment and uncertainty using earnings call transcrips from the StreetEvents database. For each firm and call, we isolate the sentences in which executives mention a foreign country and feed a short window around each mention to a large language model (LLM). The LLM classifies whether the discussion is about the country's macroeconomic environment, its political and policy environment, firm/industry-specific conditions, or other topics, and separately codes the tone of the statement (negative, neutral, or positive) and whether it expresses uncertainty (yes or no).

These topic-specific measures thus give us a rich, text-based measure of what aspect of a foreign country managers have in mind when they are discussing the country, and whether they are optimistic or pessimistic and uncertain or certain when doing so.

We then aggregate these sentence-level classifications to the firm × country × half-year level for four broad topic buckets: macroeconomy, company/industry, politics/policy, and other. The resulting measures can be interpreted as managers' subjective views of conditions in a foreign country. A firm–country–topic cell with strongly negative sentiment and high uncertainty captures situations where executives a the firm view that dimension of the foreign environment as both unfavorable and hard to predict, whereas a positive, low-uncertainty score reflects attractive opportunities in a comparatively predictable environment. We merge these firm–country–topic–specific sentiment and uncertainty scores into our main panel to study how they evolve around foreign elections, depending on whether the CEO experiences an increase or a decrease in political distance around the election.

Our LLM approach is described in more detail in Internet Appendix Section IA.D. As shown in Internet Appendix Table IA.19, firms mention a given foreign country in roughly one out of four firm–country half-years. Conditional on mentioning a country, executives almost always (91% of the time) discuss company- or industry-specific factors; they discuss the country's macroeconomy about 34% of the time, and the other two topic groups (politics/policy and other) about 22% of the time each. Executives are also less likely to express uncertainty about company- or industry-specific factors than about more aggregate dimensions, such as the macroeconomy.

Table 3, Panel B, re-estimates our baseline specification using the topic-specific uncertainty scores as the dependent variable. We find a statistically significant 4.1 ppt increase in the likelihood that executives express uncertainty about the foreign country's macroeconomy when the CEO experiences an increase in ideological distance. By contrast, there are no significant changes in perceived uncertainty about company- or industry-specific

factors, suggesting that ideological disagreement operates primarily through beliefs about the macroeconomy rather than firm-specific conditions. We also find no significant differences in uncertainty related to the country's politics or public policy, or to other topics. Consistent with the results based on the HSST measures, we do not observe systematic changes in topic-specific sentiment (see Internet Appendix Table **??**, Panel B), with the exception of the "other" category, which is largely driven by discussions of COVID-19. Overall, ideological disagreement about the macroeconomy appears to concern the second moment (uncertainty) rather than the first moment (sentiment), in line with the evidence from the HSST measure.

An alternative interpretation is that ideology directly enters CEOs' preferences. For example, CEOs may simply dislike trading with countries whose governments they oppose. From a revealed-preference perspective, such preference shifts are observationally hard to distinguish from shifts in subjective beliefs about foreign conditions. We interpret our evidence through the lens of subjective beliefs because the earnings-call analysis points specifically to changes in perceived macroeconomic uncertainty, with little change in sentiment or in perceived firm-specific conditions. However, formally, our mechanism can be viewed either as ideology distorting CEOs' beliefs about foreign macro risk or as ideology shifting their utility from exposure to misaligned countries.

6.2 Alternative Explanations

What are potential alternative explanations for our findings? First, it is important to emphasize that our main identification strategy already addresses several plausible confounding factors. For instance, the results cannot be explained by the direct impact of elections on macroeconomic conditions in the foreign country that might affect the general trade environment and make it more difficult for U.S. firms to operate. Similarly, the findings are not driven by changes in bilateral relations between the U.S. and foreign governments, such as the U.S. imposing tighter trade restrictions on countries with ideolog-

ically more distant governments. Nor can they be attributed to product-specific demand or supply shocks, such as trade restrictions on certain goods.

One plausible alternative explanation for our findings is that the differential trade response reflects unobserved heterogeneity in U.S. firms' foreign trade partners. For example, U.S. firms led by Democrat-leaning CEOs may be more likely to trade with left-leaning foreign firms. If a right-leaning party comes to power abroad and implements policies that disadvantage left-leaning firms, those firms may reduce their trade activity, resulting in more terminations of trade relationships by Democrat-led U.S. firms.

Note that our analysis of earnings calls already mitigates this possibility, as we found no significant differences in company or industry-specific uncertainty or sentiment. To address the concern about unobserved heterogeneity in trade partners even more directly, we exploit the granularity of our data to examine trade relationships with the same foreign partner at the supplier level. Specifically, we expand the dataset from the firm $\times$ foreign election $\times$ product $\times$ half-year level to the firm $\times$ foreign election $\times$ product $\times$ supplier $\times$ half-year level. For each product-election pair, we construct a "candidate supplier pool" that consists of all suppliers from the foreign country that have exported the product to at least one U.S. firm in our sample during the four years surrounding the election. We then expand the data to include all suppliers in this pool and define an import indicator equal to one if a firm imports product p from supplier s at time t around election e in country c, and zero otherwise.

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

$$Import_{fsecpt} = \alpha_{esct} + \alpha_{fsec} + \alpha_{pt} + \beta Distance\,Increase_{fec} \times Post_{ect} + \epsilon_{fsecpt}, \quad (5)$$

where s refers to supplier and all other variables are defined as in our baseline equation 5. By including election $\times$ supplier $\times$ time fixed effects (α_{esct}), we compare U.S. firms

trading with the same supplier at the same point in time, thus ensuring that unobserved heterogeneity across foreign trade partners is not affecting the estimates.

The results from this estimation are reported in Table 4. Our most conservative estimates, reported in column (4), indicate that a U.S. firm whose CEO experiences a distance increase is 6 basis points (bps) less likely to import from the same supplier relative to a firm whose CEO experiences a distance decrease. Relative to the unconditional mean of the dependent variable of 1.3 percentage points, this represents an effect of 4.6%, which is comparable to the economic effect estimated in our baseline specification.

Another potential alternative explanation is that the foreign trade partners may discriminate against U.S. firms led by CEOs whose political ideology is misaligned with their new government. This mechanism would predict stronger effects among U.S. firms with more visible CEOs, as it requires foreign trade partners to observe the CEO's political leaning. To test this alternative hypothesis, we construct a proxy for CEO prominence based on the CEO's inclusion in the Notable Names Database (`http://www.nndb.com`), following Wintoki and Xi (2020). This online database compiles publicly available biographical and political information on prominent individuals. We manually search CEO names and define a visibility indicator equal to one if the CEO is listed in the database, and zero otherwise. Using this proxy, we identify 191 prominent CEOs in our sample.

We then augment our baseline specification in equation (2) by interacting the treatment variable with the proxy for CEO visibility. The results, reported in Internet Appendix Table IA.10, reveal no evidence that the effects differ in a meaningful way between highly visible and less visible CEOs. This finding makes it unlikely that foreign trade partners discriminate based on U.S. CEOs' political ideology.

Finally, a firm's sourcing decisions may also be influenced by the party of the U.S. president. Presidents often take corporate leaders with them on foreign visits, and CEOs who are ideologically aligned with the president may be more likely to join such delegations than misaligned CEOs. This mechanism would predict that the effect of CEO–country

ideological distance should depend strongly on whether the CEO is aligned or misaligned with the U.S. president. However, as shown in Internet Appendix Table IA.12, the effect of a distance increase does not vary significantly with the CEO's alignment with the U.S. president and remains highly statistically significant even for CEOs who are misaligned with the president, suggesting that this channel is unlikely to be first-order in our setting.

7 Effects on Import Prices and Sourcing Networks

In this section, we explore two potential economic implications of the political-alignment effect on foreign trade. First, are companies willing to pay a price for ideological alignment via higher import prices? Second, how do firms restructure their global trade networks in response to changes in political alignment? Specifically, do they form new relationships or concentrate more on existing ones?

7.1 Import Prices

A natural question is whether politically driven supplier reallocation is costly for firms. Ex ante, this is not obvious. If firms face a sufficiently large pool of potential suppliers abroad that provide similar input prices and switching costs are low, then ideologically-driven shift in sourcing locations may be relatively inexpensive. By contrast, ideological considerations may force firms to reallocate toward less cost-efficient suppliers, raising input costs. Ultimately, whether such reallocations are costly is an empirical question.

Table 5 examines changes in firms' import prices around foreign elections as a function of the CEO's change in ideological distance. We estimate equation (2) using the weighted average import price for a given firm and product category as the dependent variable. To measure import prices, we construct a firm–product level unit price as a weighted average of the product's unit prices across all importing countries, with the weights being proportional to the total import weight (in tons) from each country for a given product

in a given half-year. We consider two versions of this measure: one in which the unit prices are averaged over the two-year periods preceding elections and held constant over the election period (Panel A), and another that uses annual unit prices (Panel B). We show Panel A because one might be worried that ex-post prices could be influenced by the observed volume response. In both panels, the dependent variable is the logarithm of the weighted average unit price in columns (1) and (2), and the raw unit price in column (3). Because these outcomes are constant within firm–product pairs in a given half-year, we double cluster standard errors at the firm × product and CEO party × election level.

The coefficient $Distance, Increase \times Post$ captures the effect of an increase in the CEO's ideological distance on the average import price for a given product and half-year, relative to firms whose CEO experiences a decrease in ideological distance. The estimates in Panel A, column (2) indicate that firms facing an increase in ideological distance experience a 1.7% increase in expected import prices, relative to firms experiencing a decrease, using pre-election prices as a measure of expected import prices. In raw USD dollar terms, this effect corresponds to an increase of 682 USD per ton (see column (3)).

In Panel B, we repeat the analysis using annual prices to verify that firms are not only paying higher import prices ex ante, but also ex post. The results are quantitatively very similar. Combined, the findings in Table 5 reveal that the effect of political ideology on sourcing decisions is costly for U.S. firms: distance-increase firms end up sourcing from higher-cost suppliers following the election.

7.2 Sourcing Networks

Next, we examine how firms restructure their global trade networks in response to shifts in political alignment with foreign governments. A natural question is whether firms respond to ideological misalignment by creating new import relationships in other countries or by consolidating import with existing partners. To assess which effect dominates, we apply our difference-in-differences framework to study the total number of foreign trade partners

and the formation of new relationships in a given product category.

Specifically, we examine how ideological distance affects the total number of importing countries (suppliers) a firm uses within a given product category, as well as the number of new countries or suppliers it adds. We define new relationships as those involving countries (suppliers) with which the firm has not traded in the previous two calendar years within the same product category. The dependent variables are transformed using the inverse hyperbolic sine transformation in order to include half-years with zero added suppliers.

The results, reported in Table 6, indicate that an increase in ideological distance leads firms to contract their global trade networks relative to firms with an ideological distance decrease. Specifically, distance-increase firms reduce the number of importing countries in a given product category by 2.0% (=1–exp(-0.020)) (column (1)) and the number of unique suppliers by 3.1% (=1–exp(-0.032)) (column (2)). They are also, if anything, less likely to form new import relationships with other countries or suppliers, as shown in columns (3) and (4), although the effect on new relationship formation is not statistically significant. In other words, rather than establishing new relationships with other countries, firms whose CEO experiences a distance increase around a foreign election rely more on their existing trade partners.

One possibility is that distance-increase firms also rely more on domestic suppliers following the election. Alfaro and Chor (2023) provide tentative evidence of reshoring to the United States in response to U.S.–China trade tensions and geopolitical shocks, although the pattern is highly uneven across sectors. Since Panjiva covers only maritime shipments, our data are limited for studying whether firms respond to an increase in ideological distance by expanding domestic sourcing. In Internet Appendix Table IA.16, we find no evidence of changes in domestic maritime trade. However, since only a small share of U.S. domestic trade is transported by sea, it largely remains an open question to what extent a similar shift toward domestic suppliers occurs in our setting.

Combined, the patterns documented in this section indicate that CEO ideological mis-

alignment leads firms to reduce the breadth of their trade networks. Rather than forming new relationships, they rely more heavily on existing ones. This shift toward greater network concentration may carry risks, including heightened exposure to country-specific shocks and increased vulnerability to future supply-chain disruptions (e.g., Bonadio, Huo, Levchenko, and Pandalai-Nayar (2021); Barrot and Sauvagnat (2016)). Moreover, firms are willing to pay higher input prices in order to avoid political misalignment.

8 Conclusion

Rising geopolitical tensions have significantly disrupted the interconnected economic relationships between nations. While extensive literature focuses on government-imposed trade barriers such as tariffs, sanctions, and industrial policies, limited research has examined "private sanctions", where firms voluntarily sever ties with countries for ideological reasons that extend beyond profit motives or government policies.

Using a novel dataset that combines granular maritime trade transaction data from S&P Global's Panjiva database with information on the political affiliations of U.S. CEOs, we investigate how the political ideology of CEOs shapes cross-border trade. Exploiting changes in ideological alignment between U.S. firm CEOs and foreign governments around foreign national elections, we show that U.S. firms are less likely to trade with countries whose governments become more ideologically distant from their CEOs. The effect persists when comparing U.S. firms importing the same product category, as well as from the same supplier, indicating that unobserved heterogeneity in product demand or supplier characteristics does not drive the result.

We further find that firms facing an increase in ideological distance pay higher input prices and contract their global supply chain networks, reducing the number of foreign partners and forming fewer new relationships. This narrowing of supply chains lowers diversification and may increase firms' exposure to country-specific shocks and supply disruptions.

Taken together, our results demonstrate that corporate leaders' political ideology can significantly shape international trade flows, adding a new dimension to the study of globalization and firm behavior.

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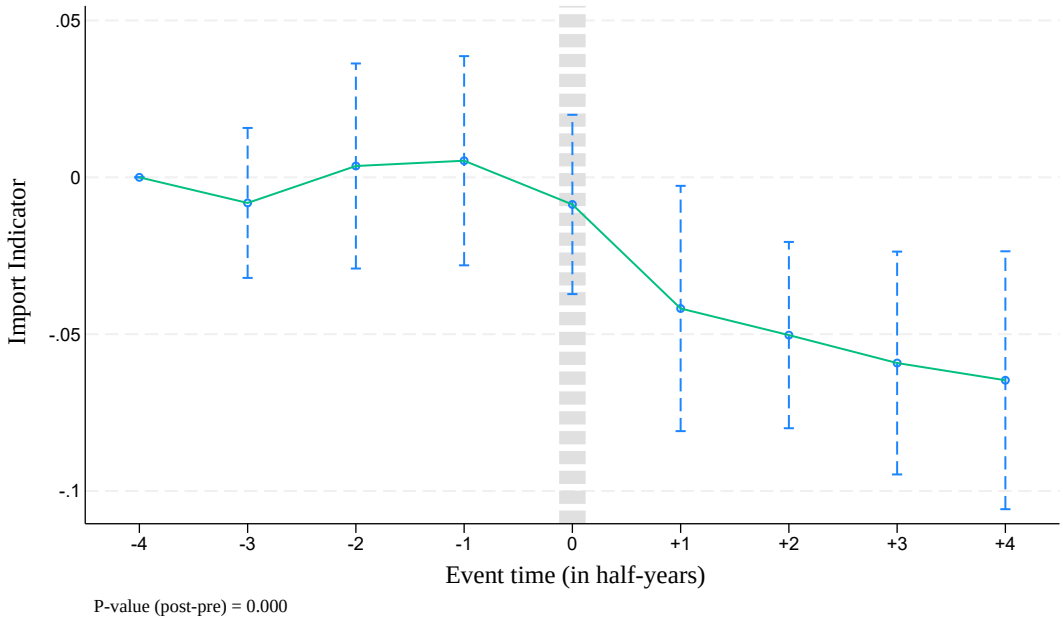


Figure 1: **CEO Ideological Distance and Foreign Trade**

The figure plots the difference in the propensity to import from a given foreign country of U.S. firms whose CEO experiences an increase versus decrease in ideological distance around an election. Specifically, we plot coefficients β_τ from equation (3) for nine half-years around the election. The dependent variable is an indicator equal to one if the firm imports at least one shipment from the foreign country in a given product category and half-year, and zero otherwise. Election $\times$ time, firm $\times$ election, and product $\times$ time fixed effects are included. The corresponding 95% confidence intervals are based on standard errors that allow for clustering at the CEO party $\times$ election level.

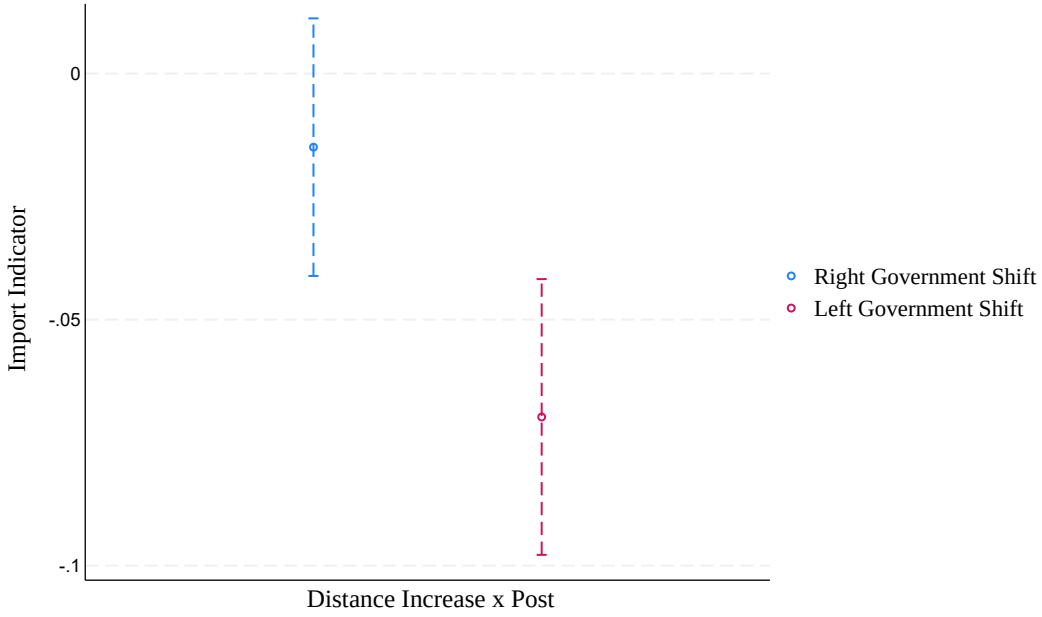


Figure 2: **Heterogeneity By Left versus Right Government Shifts**

The figure plots coefficient β from equation (2) separately for elections in which the foreign government shifts to the right or to the left. *Right (Left) Government Shift* are elections in which the winning party's ideology score moves to the right (or to the left) relative to the previous winning party, respectively. The corresponding 95% confidence intervals are based on standard errors that are clustered at the CEO party $\times$ election level.

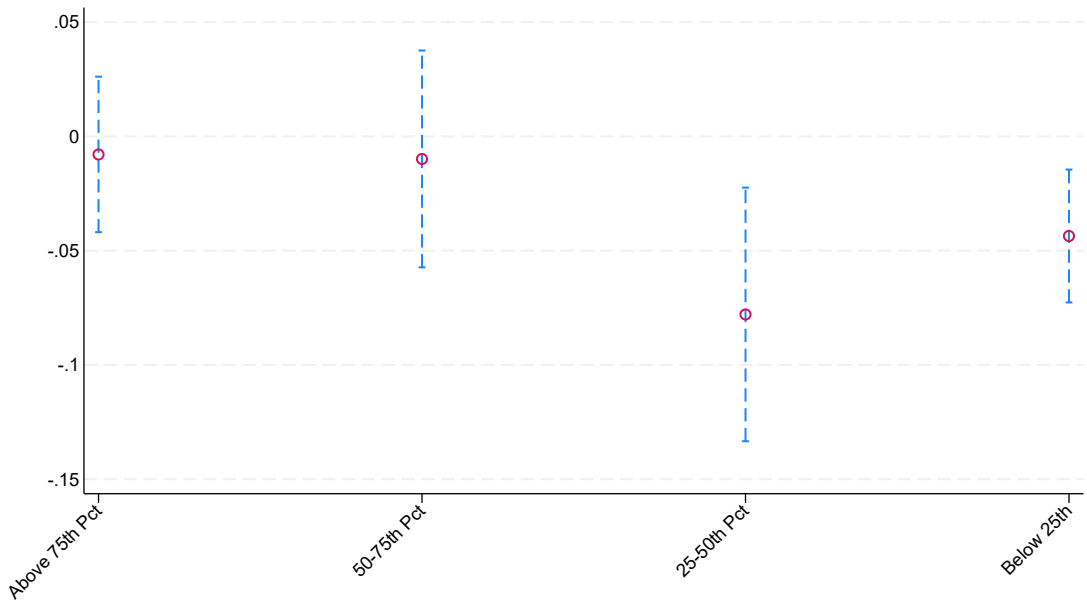


Figure 3: **Heterogeneity By Relative Sourcing Advantage**

The figure plots the coefficients δ and $\delta + \beta_k$ from equation (4). We construct a measure of relative sourcing advantage by first computing 1) the difference between the pre-election average unit price of product p in non-election countries and that in the election country, where a larger value reflects a lower price in election country; and 2) the firm's import volume share of product p over the periods up to election e. We then take the product of 1) and 2) to capture the extent to which the firm imports substantial volumes from relatively cheaper suppliers in election country. Based on the distribution of the measure, we define indicator variables D^k_{fp} that equal one when the measure falls within a certain range, and zero otherwise. The cutoffs are based on 75th, 50th, 25th percentile of the distribution by election year. The corresponding 95% confidence intervals are based on standard errors that are clustered at the CEO party $\times$ election level.

Table 1: **Summary Statistics**

The table reports summary statistics for our election sample. The unit of observation is a U.S. firm × foreign election × product category × half-year. All variables are defined in Appendix A.1.

	Count	Mean	SD	P25	Median	P75
	(1)	(2)	(3)	(4)	(5)	(6)
Import Indicator	101,490	0.51	0.50	0.00	1.00	1.00
Shipments	101,490	5.14	32.49	0.00	1.00	2.00
Volume (TEU)	101,006	11.26	92.34	0.00	0.02	2.00
Weight (Tons)	101,490	321.06	8,776.71	0.00	0.14	15.86
Value ($, thousands)	101,348	1,750.67	25,377.80	0.00	0.73	122.80
Countries	101,490	3.19	3.93	1.00	2.00	4.00
Suppliers	101,490	6.57	16.73	1.00	2.00	5.00
New Suppliers	101,490	0.69	1.12	0.00	0.00	1.00
New Suppliers	101,490	2.40	6.21	0.00	1.00	2.00
Distance Increase	101,490	0.52	0.50	0.00	1.00	1.00
Country Risk	90,008	138.59	332.05	40.13	84.70	156.20
Country Sentiment	90,008	1,659.17	3,044.46	741.47	1,448.94	2,194.70
Unit Price ($, thousands)	99,754	19.17	41.90	3.35	6.67	19.74
No. of 6-Digit HS Per Product-Ctry.	52,099	1.63	1.77	1.00	1.00	2.00

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

The table reports differences in foreign import activity by U.S. firms whose CEO experiences an increase versus decrease in ideological distance around foreign elections. In Panel A, the dependent variable is an import indicator and the estimation is based on a linear probability model. In Panel B, the dependent variable is the inverse hyperbolic sine transformation of the imported quantities in a given product category, measured using the number of shipments (column (1)), volume in twenty-foot equivalent units (TEU) (column (2)), cargo weight in tons (column (3)), and the estimated dollar value of goods in USD thousands (column (4)), respectively. In both panels, the unit of observation is a U.S. firms × foreign election × product × half-year. *Distance Increase* is an indicator equal to one if the ideological distance between the CEO of the U.S. firm and the party in power in a foreign country increases after the election, and zero otherwise. *Post* is an indicator equal to one if half-year t falls in the post-election period ($\tau = 0$ to $\tau = +4$), and zero if it falls in the pre-election period ($\tau = -4$ to $\tau = -1$). t-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

Panel A: Import Indicator

Dependent Variable:	Import Indicator		
	(1)	(2)	(3)
Distance Increase × Post	-0.043***	-0.046***	-0.045***
	(-4.33)	(-4.59)	(-4.56)
Election × Time FE	Yes	Yes	Yes
Firm × Election FE	No	Yes	Yes
Product × Time FE	No	No	Yes
R^2	0.026	0.214	0.245
N	101,403	100,521	100,345

Panel B: Import Quantities and Estimated Value

Dependent Variable:	Shipments	Volume	Weight	Value
	(1)	(2)	(3)	(4)
Distance Increase × Post	-0.097***	-0.092***	-0.141***	-0.219***
	(-5.10)	(-3.91)	(-3.70)	(-4.17)
Election × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes	Yes
Product × Time FE	Yes	Yes	Yes	Yes
R^2	0.338	0.339	0.344	0.317
N	100,345	99,862	100,345	100,207

Table 3: **CEO Ideological Distance and Subjective Beliefs about Foreign Countries**

The table examines changes in U.S. firms' perceived country sentiment and risk as a function of whether their CEO experiences an increase versus decrease in ideological distance around the foreign election. The unit of observation is a firm × foreign election × half-year, based on the sample in Table 2. In Panel A, the dependent variable is the inverse hyperbolic sine transformation of the country sentiment measure (columns (1) to (2)) and country risk measure (columns (3) to (4)) based on firms' earnings calls, constructed by Hassan, Schreger, Schwedeler, and Tahoun (2024). In Panel B, the dependent variable is an indicator equal to one if the firm's executives express uncertainty about a foreign country, measured using sentences that are assigned to a particular topic using LLM. t-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Foreign Country Sentiment and Risk (Hassan et al. (2024) Measure)

	Country Sentiment		Country Risk	
	(1)	(2)	(3)	(4)
Distance Increase × Post	-0.139	-0.042	0.092***	0.094***
	(-1.11)	(-0.32)	(3.05)	(2.93)
Election × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	No	Yes	No	Yes
R^2	0.077	0.406	0.040	0.473
N	43,843	43,035	43,843	43,035

Panel B: Uncertainty by Topic (LLM Classification)

	(1)	(2)	(3)	(4)
	Company/Industry	Macroeconomy	Politics/Policy	Other
Distance Increase × Post	0.011	0.041***	-0.024	0.008
	(0.60)	(2.95)	(-1.16)	(0.44)
Election × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes	Yes
R^2	0.375	0.313	0.270	0.288
N	10,966	10,966	10,966	10,966

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

The table repeats the analysis in Panel A of Table 2 at the supplier level. The unit of observation is a firm × foreign election × product × supplier × half-year. The independent variable is an indicator equal to one if the U.S. firm imports at least one shipment from a given supplier in a given product category and half-year, and zero otherwise. For ease of interpretation, we multiply the coefficient by 100. *t*-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Dependent Variable:	Import Indicator			
	(1)	(2)	(3)	(4)
Distance Increase × Post	-0.080**	-0.074**	-0.063*	-0.060*
	(-2.18)	(-2.09)	(-1.94)	(-1.94)
Election × Supplier × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	No	Yes	No	No
Firm × Supplier × Election FE	No	No	Yes	Yes
Product × Time FE	No	No	No	Yes
R^2	0.127	0.154	0.529	0.532
N	5,744,523	5,744,484	5,674,860	5,674,702

Table 5: **CEO Ideological Distance and Import Prices**

The table examines changes in firms' weighted average import prices around foreign elections. We compute firm-product level import prices as the weighted average product-country unit price (in USD thousands per ton), where the weights are proportional to the import weights (in tons) for each country in a given product and half-year. Panel A uses the average unit price during the pre-election period for a given product-country pair and election, and Panel B uses the annual product-country unit price. In both panels, the dependent variable is the logarithm of the weighted average unit price in columns (1) and (2), and the raw unit price (in USD thousands per ton) in column (3). t-statistics, reported in parentheses, are based on standard errors that are clustered at the firm × product and CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Pre-Election Prices

Dependent Variable:	Log(Unit Price)		Unit Price
	(1)	(2)	(3)
Distance Increase × Post	0.024**	0.017**	0.682**
	(2.27)	(2.12)	(1.99)
Election × Time FE	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes
Product × Time FE	No	Yes	Yes
R^2	0.449	0.896	0.822
N	98,766	98,598	98,598

Panel A: Annual Prices

Dependent Variable:	Log(Unit Price)		Unit Price
	(1)	(2)	(3)
Distance Increase × Post	0.024**	0.017**	0.559
	(2.04)	(2.15)	(1.64)
Election × Time FE	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes
Product × Time FE	No	Yes	Yes
R^2	0.442	0.890	0.821
N	98,713	98,545	98,545

Table 6: **CEO Ideological Distance and the Breadth of Supply Chain Networks**

The table examines changes in the breadth of firms' foreign supply chain networks as a function of whether their CEO experiences an increase versus decrease in ideological distance around a foreign election. The dependent variable is the inverse hyperbolic sine transformation of the number of unique importing countries for a given firm and product category in column (1), and the number of unique suppliers in column (2), the number of newly added non-election countries in column (3), and the number of newly added suppliers from non-election countries in column (4). Newly added countries and suppliers are those that the firm has not traded with in the previous two years in a given product category. t-statistics, reported in parentheses, are based on standard errors that are clustered at the firm × product and CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Dependent Variable: No. of	Countries	Suppliers	New Countries	New Suppliers
	(1)	(2)	(3)	(4)
Distance Increase × Post	-0.020**	-0.032**	-0.011	-0.013
	(-2.59)	(-2.27)	(-1.02)	(-0.73)
Election × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes	Yes
Product × Time FE	Yes	Yes	Yes	Yes
R^2	0.512	0.540	0.286	0.493
N	100,345	100,345	100,345	100,345

A Appendix

A.1 Variable Definitions

Variable	Description
Main Dependent variables	
Import Indicator	Indicator equal to one if the U.S. firm imports from a given foreign country in a given product category and half-year, and zero otherwise.
Shipments	The total number of shipments recorded in Panjiva for a given firm, country, product category, and half-year.
Volume (TEU)	The total number of twenty-foot equivalent units (TEUs) imported by a firm from a foreign country in a given product category and half-year.
Weight	The total weight in tons imported by a firm from a foreign country in a given product category and half-year.
Value	The estimated dollar value of goods in thousand USD imported by a firm from a foreign country in a given product category and half-year.
Countries	The total number of foreign countries from which a firm imports in a given product category and half-year.
Suppliers	The total number of unique suppliers used by the firm in a given product category and half-year.
New Countries	The number of newly added importing countries other than the election country for a given firm, product category and half-year. Newly added countries are those that the firm has not traded with in the previous two calendar years in a given product category.
New Suppliers	The number of newly added suppliers in non-election countries for a given firm, product category and half-year. Newly added supplier are those that the firm has not traded with in the previous two calendar years in a given product category.
Unit Price	A firm-product level unit price constructed as a weighted average of the product's unit prices across all importing countries, where the weights are proportional to import volume (in tons) from each country for the given product in a given half-year. We consider two versions of this measure: one in which these country-specific product unit prices are averaged over the two-year periods preceding elections, and another based on the annual unit prices.
Main independent variables	
Distance increase	Indicator equal to one if the change in the ideological distance between the firm's CEO and the foreign country, as defined in equation (1), is non-negative, and zero otherwise.

Continued on next page

Table A.1 – continued

Variable	Description
Post	Indicator equal to one if the time period falls after a given election ($\tau = 0$ to $\tau = +4$), and zero otherwise.
Other variables	
No. of 6-Digit HS Per Product-Ctry.	The number of 6-digit HS products in a 2-digit HS code product-country pair and half-year.