CEO Ideology and Global Trade *

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Abstract

We study how the political ideology of corporate leaders shapes international trade. Exploiting changes in ideological alignment between U.S. firm CEOs and foreign governments around national elections, we show that firms reduce trade with countries whose governments become more ideologically distant from their CEOs, relative to firms whose CEOs become more aligned. Firms facing an increase in ideological distance reallocate toward origin countries with higher unit prices on average. Textual analysis of earnings call transcripts suggests that an important mechanism behind these patterns is a change in CEOs' perceptions of foreign macroeconomic conditions.

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

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1 Introduction

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

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

To address these challenges, we compile a novel dataset combining granular trade transaction data from S&P Global's Panjiva database with U.S. CEOs' political affiliations from voter registration records. Following Kempf, Luo, Schäfer, and Tsoutsoura (2023), we measure ideological distance between U.S. CEOs and foreign governments using party ideology scores from the Manifesto Project Database (Volkens, Lehmann, Matthieß, Merz, Regel, and Weßels (2018)). We exploit foreign national elections as a source of plausibly exogenous variation in the ideological alignment between U.S. firm CEOs and foreign governments. This approach allows us to compare changes in trade patterns between Democratic- and Republican-led U.S. firms importing the same product from the same country around the same foreign election.

Our findings show that CEOs' political ideology significantly shapes firms' global trade ties. Following a foreign election, firms whose CEO experiences an increase in ideological distance are 5.8% less likely to import from that country relative to firms whose CEO experiences a decrease in distance. We obtain this effect while comparing Republican- versus Democratic-led U.S. firms importing the same product category from the same country at the same point in time, implying that neither changes in product demand

nor product-specific trade policies explain the result. Using the midpoint growth rate methodology of Beaumont, Matray, and Xu (2024), which captures changes along both the extensive and intensive margins, we find a 7.3%–9.3% relative decline in import quantities between the two groups. This relative quantity decline is driven almost exclusively by the extensive margin—firms starting or stopping imports from the election country—rather than by changes in quantities among continuing trade relationships. The relative decline in trade begins in the election half-year and grows over the subsequent two years, with no evidence of pre-trends. The effects are very similar in the subsample of close elections, where election outcomes are harder to predict ex ante and thus provide even stronger conditions for causal identification.

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

We conduct additional analyses to rule out alternative interpretations. A within-supplier test shows the adjustment is unlikely to be explained by heterogeneity in how the foreign trade partners of U.S. firms are 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 show that firms experiencing an increase in ideological distance do not reduce overall imports but instead reallocate sourcing toward other origin countries. This reallocation appears to be costly: relative to firms experiencing a decrease in ideological distance, distance-increase firms face a 0.4–0.5% increase in import prices following an election. These findings suggest that firms are willing to incur higher sourcing costs in order to reduce exposure to politically misaligned countries.

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

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

2 Related Literature

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

relationships.

Two contemporaneous papers are especially closely related to ours. Ayyagari, Gao, and Ma (2025) show that firms led by CEOs aligned with the U.S. administration reduce imports more from countries that become ideologically more distant from the United States following foreign elections. Charoenwong, Peng, and Wu (2025) measure firms' political ideology using PAC donations and find that greater ideological distance between a firm and a foreign government is associated with lower imports from that country. Relative to both papers, our contribution is to isolate the role of CEOs' own ideology relative to foreign governments, study both import prices and quantities, and provide direct evidence on the mechanism using earnings call transcripts.

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

3 Data

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

3.1 Global Trade Relationships

We use S&P Global's Panjiva database (henceforth Panjiva) to obtain transaction-level records of physical goods traded between U.S. firms and international trade partners via vessels between 2007 and 2023. Panjiva collects these data from the U.S. Customs and Border Protection (CBP) using Bills of Lading (BOLs). The records provide the names and addresses of the U.S. buyers or sellers, product descriptions, imputed Harmonized System (HS) codes based on these descriptions, shipment dates, and the cargo weight

and volume imported or exported. For import records, Panjiva also provides the names and addresses of foreign sellers, while export records include only the destination country without information on the identity of the buyer. We focus 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. Flaaen, Haberkorn, Lewis, Monken, Pierce, Rhodes, and Yi (2023) offer a comprehensive description of the Panjiva dataset.

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

A critical data-cleaning step concerns the identification of the shipment's country of origin. In the Panjiva data, the standard origin field (*shpmtorigin*) often reflects the last shipping or transshipment point rather than the location from which the goods originated. This distinction is important in our setting because we study whether firms change imports from a specific foreign country around an election. If shipments are incorrectly assigned to a transshipment hub instead of their true country of origin, our country-specific import measures will be mismeasured. We therefore follow Barbiero, Sheremirov, Silva, and Stein (2025) and recover the origin country using information from both *placeofreceipt* and *shpmtorigin*.

In most of our analysis, we classify products into product categories based on their two-digit HS (HS2) codes and will refer to these as "products" for brevity. Internet Appendix Table IA.1 provides descriptions for the top 15 product categories by trading cargo weight in our sample. In our robustness tests, discussed in Section 5.2 below, we show that our main results are similar if we use finer product categories, such as six-digit HS (HS6) codes. Internet Appendix Table IA.1 also contains descriptions of the most common HS6-product categories in our sample.

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

3.2 Import Prices

We do not use Panjiva's estimated dollar values to construct unit prices because these values are vendor-generated estimates rather than directly reported transaction values, and

are constructed using procedures that are not fully transparent. We therefore 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 U.S. dollars) and quantities (in metric tons) at the six-digit HS code level. CEPII BACI is built on UN COMTRADE data by reconciling exporter and importer declarations into a single harmonized flow (Gaulier and Zignago, 2010) and is widely used in international trade research (e.g., Adão et al. (2022); Ma and Schmidt-Eisenlohr (2025)).

Following Hallak and Schott (2011) and Fajgelbaum, Goldberg, Kennedy, and Khandelwal (2019), we construct annual trade unit values (in thousands of U.S. dollars per metric ton) as the ratio of trade values to quantities at the HS6-product-trade partner level. These unit values are interpretable as prices because goods are sufficiently homogeneous within such disaggregated product codes (Fajgelbaum, Goldberg, Kennedy, and Khandelwal, 2019).

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.[1] The information provided by 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.[2] For each election, we then consider the party or the alliance with the highest vote share as the winning party.[3]

Although MPD does not cover every U.S. trade partner—most notably China, which lacks competitive multi-party elections and therefore party manifestos—the countries in MPD represent a substantial share of U.S. foreign trade. Using the U.S. Census Bureau's

[1] 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.

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

[3] MPD only reports first-round election results for most South American countries. For South American countries with two-round presidential election systems, we use second-round results whenever available, as the second round typically follows shortly after the first and provides a more accurate reflection of which party ultimately wins. When a second round occurs, we classify the winning party based on the highest vote share in that round. If no second round takes place, we rely on the first-round results.

"U.S. Trade in Goods by Country" data, we estimate that MPD-covered countries accounted for approximately 67% of total U.S. foreign trade during our sample period, and they account for approximately 51-56% 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 our Panjiva data span the years 2007 to 2023, we focus on elections taking place between 2009 and 2021 to capture at least two years of data before and after each election. After restricting to elections in countries that are trade partners of U.S. firms in Panjiva, we obtain a sample of 196 foreign elections in 61 countries. The average (median) margin of victory, measured as the absolute difference between the highest and the second-highest vote share, is 12.4 (8.3) percentage points.

In addition to data on election outcomes, MPD also provides a standardized assessment of each political party's ideology by coding their electoral manifestos. Using each party's election program, MPD classifies a party's position across various policy dimensions—some of which are pre-assigned as left or right based on the left-right political spectrum outlined by Laver and Budge (1992).[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-leaning policy categories. Specifically, the ideology score for party p is calculated as $Ideology_p = Ln(\frac{R_p+0.5}{L_p+0.5})$, where L_p and R_p represent the counts of quasi-sentences in the party p's manifesto assigned to left and right policy categories, respectively.

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

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

registrations and primaries for voters in 40 states (and DC) going back to 2014. See Fos, Kempf, and Tsoutsoura (2025) for a detailed description of the two data sources.

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

We match CEOs to voters using their full names, age, and location, as described in Internet Appendix IA.A.2. Of the 4,787 U.S. CEOs in ExecuComp during our sample period, we successfully match 2,930 to a unique voter in the voter registration data.

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

3.4 Sample Construction

To construct our final sample, we first stack foreign elections in event time, measured in half-years, and retain the two years before and after each election, plus the half-year containing the election, for a total of nine half-year periods. We define the event window to span nine half-years to avoid many overlapping event windows, as the median time interval between elections in MPD in a given country is four years. When two elections occur too close together for the full window to fit, we truncate the event window at the midpoint between consecutive elections.[5]

We then construct the set of firm-product-election-country observations as follows. For each product category, we define the set of candidate origin countries as the countries that collectively account for approximately 95% of all imports by cargo weight, aggregated across all U.S. firms importing that product over the sample period. We include all firm-product pairs for these candidate origin countries in each election window and replace missing import quantities with zero whenever a firm does not import that product from

[5]For example, if two elections are two years apart, we retain event time up to +2 half-years for the first election and down to −2 half-years for the second election. In total, 53 elections do not have the full nine-period event window. In Section 5.2 below, we show that our main finding is robust in the balanced subsample of elections for which the full event window is available.

the election country in a given half-year. This yields a balanced panel of potential sourcing relationships for the election country. In the estimation sample, however, we further restrict attention to firm-product-half-years in which the firm imports that product from at least one foreign country, so that the analysis isolates firms' choice of sourcing country conditional on importing the product. Our final election sample covers 873 U.S. firms, which are run by 1,162 partisan CEOs and source from 48 countries around 146 foreign 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 75% of observations. The share of Republican CEOs decreases visibly after 2017, consistent with the findings in Fos, Kempf, and Tsoutsoura (2025) for a broader sample of U.S. executives.

Table 1, Panel A reports summary statistics for our main sample, where the unit of observation is a firm × election × HS2-product × half-year. Conditional on trading a given product category in a given half-year, the likelihood that a firm imports at least one shipment from the average candidate origin country is 5.33%. Conditional on importing from a given country, firms exchange approximately 10.7 shipments, with a combined volume of 25 twenty-foot equivalent units (TEUs), a total cargo weight of 5.1 thousand metric tons, and an estimated goods value of $14 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.[6]

4 Empirical Strategy

This section outlines the empirical framework used to identify the effect of CEO ideological alignment with foreign governments on firms' international trade activity. Our central hypothesis is that firms led by CEOs who are ideologically more distant from the ruling party in a foreign country are less likely to source from that country. A natural economic rationale is that establishing and maintaining international sourcing relationships involves fixed costs (Antràs, Fort, and Tintelnot, 2017) and may depend on managers' beliefs about foreign market conditions. Foreign market conditions are relevant for sourcing decisions because firms must form expectations about the profitability and risk of procuring goods from a given country, including the reliability of supply, input availability, policy environ-

[6]On average, there are 4.6 U.S. firms with positive imports in a typical HS2-product-election-half-year cell, with a median of 2. When products are defined at the HS6-product level, this number reduces to 1.5 (median 1).

ment, trade costs, and broader macroeconomic conditions. If greater ideological distance leads CEOs to view a foreign country as a less attractive or more uncertain sourcing partner after an election, firms may be less likely to initiate or maintain import relationships with that country (Guiso, Sapienza, and Zingales, 2009; Kempf, Luo, Schäfer, and Tsoutsoura, 2023).

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.[7] 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. Third, Democratic- and Republican-led firms may specialize in different industries and product categories (e.g., Fos, Kempf, and Tsoutsoura (2025)), creating potential heterogeneous exposure to macroeconomic shocks and trade-policy changes.

Our empirical strategy addresses these challenges by comparing import activity of U.S. firms led by Democratic and Republican CEOs sourcing the same product 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 Democratic CEO—import the same product category (say, plastics) from suppliers located in Italy. Following the Italian general election in 2013, the incumbent party "Center-right coalition" was succeeded by the center-left "Italy. Common Good" alliance. As a result, the ideological distance to the ruling party increases for the Republican CEO and shrinks for the Democratic CEO. We can therefore implement a difference-in-differences design that compares changes in each firm's likelihood of importing the same product from Italy before and after the election. This approach allows us to isolate the effect of the CEO's ideological alignment from time-invariant dimensions of proximity, such as cultural or linguistic ties, while controlling for election-related changes in macroeconomic conditions or trade policy that should affect both U.S. firms similarly, especially when they import the same product.

To take this thought experiment to the data, we compute the change in firm f's CEO's

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

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 $\underline{e}$, the most recent election in country c prior to election e. Fixing the CEO's ideology score at its value one year before election e ensures that $\Delta Distance_{fec}$ captures solely the outcome of the foreign election, not shifts in the CEO's own ideological position. We then define $Distance\,Increase_{fec}$ as an indicator equal to one if $\Delta Distance_{fec}$ is non-negative, and zero otherwise.[8]

Internet Appendix Table IA.3 provides examples that illustrate the computation of $\Delta Distance_{fec}$ for the 2013 general election in Italy and for the 2012 election in France. As illustrated by the two examples, variation in our *Distance Increase* variable is generated only by elections in which Republicans experience an increase in ideological distance and Democrats experience a decrease, or vice versa. For example, the 2012 French election of the Socialist Party of François Hollande would not generate such variation, as both Republicans and Democrats experienced an increase in ideological distance following the election. About 51% 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 characteristics (e.g., total import quantities, breadth of the sourcing network, firm size, leverage, profitability, CEO age, and CEO prominence).

We then estimate the following OLS regression:

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

[8]Because party manifestos almost always change from one election to another, we do not observe exact zeros for $\Delta Distance_{fec}$ in our estimation sample. Our results are therefore not sensitive to how zeros would be treated. We prefer a binary treatment variable over a continuous measure in our baseline specification, given the recent literature highlighting issues with difference-in-differences designs with non-binary treatments and high-dimensional fixed effects (de Chaisemartin and D'Haultfœuille (2020); de Chaisemartin and D'Haultfoeuille (2022)). Moreover, a binary treatment variable allows us to be agnostic about the exact functional form linking ideological distance to the extensive margin of trade.

where $Import_{fecpt}$ is an indicator equal to one if firm f has imported at least one shipment from foreign country c in product category p in half-year t around election e, multiplied by 100 for ease of interpretation. The indicator $Post_{ect}$ takes a value of one if half-year t falls in the post-election period (i.e., $\tau = 0$ to $\tau = +4$), and zero if it falls in the pre-election period (i.e., $\tau = -4$ to $\tau = -1$). We stack our sample by country and election date, thus addressing concerns regarding differential weighting of events occurring earlier versus later in the sample period, as noted by de Chaisemartin and D'Haultfœuille (2020), Callaway and Sant'Anna (2021), and Baker, Larcker, and Wang (2022). Due to some overlapping event windows, the unit of observation is a firm × election × product × half-year rather than a firm × country × product × half-year. Because our objective is not to predict whether a firm imports a given product category, but rather from which country it sources conditional on importing, we exclude half-years in which the firm does not import from any foreign country in that product category.[9] We cluster standard errors at the level of our treatment (CEO party × election), as recommended by Abadie, Athey, Imbens, and Wooldridge (2022).

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

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

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

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

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

[9] We examine the effect of ideological distance on aggregate import quantities in Section 5.3 below.

5 CEO Ideological Alignment and Foreign Trade

In this section, we examine the effect of CEO ideological alignment on firms' foreign trade activity. Section 5.1 presents the main results, Section 5.2 discusses our robustness tests, and Section 5.3 presents the evidence on aggregate effects.

5.1 Main Results

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

Table 2 presents the results from the estimation of equation (2). The coefficient of interest, $Distance\,Increase \times Post$, captures the effect of an increase in the CEO's ideological distance on the likelihood of importing from a foreign country in a given half-year, relative to firms with a decrease in the CEO's ideological distance. The estimates from our preferred specification in column (3) suggest that firms whose CEO experiences an increase in ideological distance are 0.31 percentage points (pp) less likely to import from the foreign country following the election. Relative to the average probability of importing in the estimation sample, this corresponds to a 5.8% decline.

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

To shed light on the dynamics of the effect, Figure 1 plots the coefficients β_τ from equation (3). The omitted period is $\tau = -1$, meaning that all differences are measured relative to the difference at $\tau = -1$. The figure illustrates a relative decline in the propensity to trade for CEOs with increased ideological distance, compared to those with decreased ideological distance, following the election. The decline begins in the half-year that contains the election and continues for the next four half-years. Importantly, there is no evidence of pre-trends prior to the election. The gradual build-up of the post-election effect is consistent with sticky sourcing relationships: firms may revise their perceptions of a country immediately after the election, but import adjustment can take time as contracts are renegotiated and alternative suppliers are identified (Grossman, Helpman, and Redding, 2024;

Handley, Kamal, and Monarch, 2024; Antràs, Fort, and Tintelnot, 2017).

Next, we examine how changes in CEO ideological distance affect the quantities and estimated value of goods traded. For each firm-product-election, we aggregate import quantities over the pre- and post-election periods, such that the unit of observation is a U.S. firm × foreign election × product, and assign zeros to missing trade flows.[10] Following Beaumont, Matray, and Xu (2024) and Matray, Müller, Xu, and Kabir (2024), our dependent variable is the midpoint growth rate in the respective quantity, calculated as:

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

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

The midpoint growth rate offers a methodologically appealing approach to measuring changes in trade flows that addresses well-known limitations of standard log-difference specifications. First, the measure is implemented on a balanced panel in which missing trade flows are filled with zeros, so that newly formed and terminated trade relationships are naturally incorporated. The key advantage of this construction is that it captures changes in trade flows along both the intensive and extensive margins, since newly formed relationships contribute a value of two, exiting relationships contribute a value of minus two, and continuing relationships contribute their intensive-margin growth rate, all without requiring ad hoc transformations. We can thus easily decompose the overall midpoint growth effect into intensive, entry, and exit margin. See Matray, Müller, Xu, and Kabir (2024) for details on the advantages of the methodology.

Table 3, Panel A reports the total effect of ideological distance on the midpoint growth rate. In column (1), the coefficient on *Distance Increase* captures the average change in the number of shipments for firms whose CEO experiences an increase in ideological distance, relative to distance-decrease firms around the same election. The estimates show that distance-increase firms reduce their number of shipments from the election country by approximately 9.3% compared to distance-decrease firms. In addition, they reduce their import quantities by 7.3% in volume, 7.5% in cargo weight, and 7.7% in dollar value, all relative to firms whose CEO experiences a decrease in ideological distance.

Following Matray, Müller, Xu, and Kabir (2024), we decompose the midpoint growth rate into three mutually exclusive components: entry (new trade relationships, contributing +2), exit (terminated relationships, contributing –2), and the intensive margin (changes

[10] We restrict the sample to shipments with non-missing information on volume, cargo weight, and dollar value, as defined below, so that the estimates are based on a common sample across quantity measures.

in quantities among continuing relationships). By construction, the total midpoint growth rate equals the sum of these three components, so the coefficients in Panels B and C sum to the total effect in Panel A. Because the entry and exit components depend only on whether a trade relationship is active, they are identical across all four quantity measures. We therefore report them once in Panel B.

Panel B shows that an increase in ideological distance affects both the entry and exit margins, with roughly similar magnitudes. The entry margin contributes approximately 4.1 pp and the exit margin 3.3 pp, indicating that distance-increase firms are both less likely to start importing and more likely to stop importing from the election country. Panel C reports the intensive margin for all four quantity measures. The intensive margin coefficients are economically small and statistically indistinguishable from zero for volume, weight, and dollar value. For shipments, the intensive margin contributes an additional 1.8 pp (marginally significant), which together with the entry and exit effects (–4.1–3.3 =–7.4) accounts for the total effect of –9.3% reported in Panel A.

To put our estimates into perspective, we compare them to other shocks that affect cross-border trade relationships. Bisetti, She, and Žaldokas (2026) show that U.S. firms cut imports by 31.8% when their suppliers experience environmental and social incidents, an effect roughly four times larger than our 7.3–9.3% decline in import quantities. However, their effect applies to a single buyer-supplier relationship, whereas ours applies to sourcing relationships throughout an entire country. For comparison with formal trade barriers, Alfaro, Brussevich, Minoiu, and Presbitero (2025) report that tariff-hit firms were 82% more likely to terminate a relationship with a Chinese supplier during the 2018–2019 U.S.-China trade war, an order of magnitude larger than our 5.8% decline in import propensity. Unlike a large statutory trade shock, our setting captures the effect of routine democratic elections. In terms of mechanism, our estimates are perhaps closest to Michaels and Zhi (2010), who document an approximately 9% decline in U.S.-France bilateral trade during the 2003 Iraq War, driven by anti-French consumer sentiment. Our quantity effects are of similar magnitude, suggesting that even routine elections can generate trade frictions comparable to those of nationally salient political conflicts.

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

5.2 Robustness and Extensions

In Internet Appendix Table IA.5, we report the results of alternative specifications for our preferred specification reported in column (3) of Table 2. In Panel A, we focus on close

elections, in which the vote margin is slim and election outcomes are difficult to predict, thus providing even stronger conditions for causal identification. Following Akey (2015) and Heitz, Wang, and Wang (2023), we define close elections as those in which the vote share difference between the winning party and the runner-up is less than five percentage points. We also use an alternative definition of close elections based on a vote share difference in the bottom quartile across all elections in MPD, following Julio and Yook (2016). These subsamples comprise 56 and 45 elections, respectively. Across both definitions, we find statistically significant and, if anything, slightly larger coefficient estimates. We also find very similar estimates in a balanced subsample of elections for which the full event window is available.

In Panel B, we include additional fixed effects, such as election × industry × time and election × headquarter state × time fixed effects, to control for the fact that Democratic and Republican CEOs may sort into different industries or geographies (e.g., Kempf and Tsoutsoura (2024)). [11] Our coefficient estimate barely moves when we include these fixed effects. In Panel C, we adopt the most granular product category definition based on six-digit HS codes. The coefficient on *Distance Increase* is –0.246 pp, representing a 5.5% decline relative to the unconditional mean in this sample, and is statistically significant.

In Panel D, we test alternative measures of ideological distance. Following Marx, Pons, and Rollet (2024), we use the populism index from the V-Party dataset as an alternative party characteristic to the left-right ideology measure provided by MPD.[12] We also consider the populism index from the Global Party Survey (GPS) Database, which is based on expert evaluations of party positions and classifies parties into four groups: strongly pluralist, moderately pluralist, moderately populist, and strongly populist.[13] Both measures yield economically and statistically significant results, suggesting that populism captures a meaningful dimension of political distance.

We also examine whether firms respond only to the political program of the party with the largest vote share, which often appoints the prime minister, or also to the broader political orientation of the governing coalition. In coalition governments, the ideology of the prime minister's party can differ from that of the government as a whole. To study this question, we use data from the ParlGov project to identify prime ministers, their affiliated parties, and the parties that form the government.[14] We assign prime ministers the left-right ideology score of their party in MPD and compute the left-right ideology score of the government as the seat-weighted average ideology score of all coalition parties. We then

[11] We define industries based on SIC code divisions.
[12] See `https://www.v-dem.net/data/v-party-dataset/`.
[13] See `https://www.globalpartysurvey.org/`.
[14] See `https://www.parlgov.org/`.

re-estimate our baseline specification using alternative *Distance Increase* indicators based on the CEO's ideological distance to the prime minister and to the government coalition, respectively. We find that both measures matter economically, although only the distance to the prime minister is statistically significant, consistent with the findings by Kempf, Luo, Schäfer, and Tsoutsoura (2023). One possible interpretation is that the ideology of the head of government is more salient to U.S. corporate leaders than the ideology of other coalition parties. Finally, our results remain highly statistically significant if we double-cluster standard errors by CEO party × election and time, by product × country, or by firm (see Panel E).

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

Given that we do not observe an ideology score for politically unaffiliated executives, our baseline analysis restricts attention to Democratic and Republican CEOs. But unaffiliated executives can still provide a useful comparison group. In particular, they allow us to assess whether the effect of changes in ideological distance is symmetric around a potential politically neutral benchmark. When we include unaffiliated executives, we find little evidence that distance-increase CEOs differ from unaffiliated CEOs in the post-election period, while distance-decrease CEOs become significantly more likely to import from the election country relative to unaffiliated (see Internet Appendix Table IA.7, column (1)). We also use unaffiliated executives to examine potential asymmetries between Democratic and Republican CEOs by further interacting the $Distance\,Increase \times Post$ variable with

indicators for CEO party. In these specifications, the deviation from unaffiliated executives is more pronounced for Democratic CEOs than for Republican CEOs (see Internet Appendix Table IA.7, column (2)).

This asymmetry admits at least two interpretations. One possibility is that Democratic CEOs' views of foreign countries are more responsive to changes in government ideology than those of Republican CEOs. Another is that politically unaffiliated executives do not represent a politically neutral benchmark and may instead be systematically closer to Republicans. The latter interpretation is plausible in our setting given the strong Republican majority among CEOs in our sample, and the fact that many self-declared independents have strong partisan allegiances (Abramowitz, 2018).

5.3 Aggregate Effects

While our main analysis focuses, for identification purposes, on comparing Republican- and Democratic-led U.S. firms around the same election within the same product category, it is still useful to assess whether these micro-level effects are economically meaningful in the aggregate. For the extensive-margin outcomes we study, aggregation is mechanically transparent because the underlying objects, such as the number of active firm-product links or importing firms, are additive. However, it remains an empirical question whether the estimated micro-level responses are sufficiently broad and quantitatively important to generate meaningful movements in aggregate trade activity.

To examine effects at a higher level of aggregation, we implement an aggregate version of our baseline event-study design at the election $\times$ distance-change-group level. For each election, event-time half-year, and distance-change group, we compute two extensive-margin measures: the number of active firm-product-country import links and the number of firms with at least one imported shipment. For each measure, we then construct the midpoint growth rate relative to the half-year immediately preceding the election ($\tau = -1$). We regress these midpoint growth rates on event-time indicators interacted with an indicator for the distance-increase group, while absorbing election-by-event-time fixed effects. The resulting coefficients, plotted in Figure 2, show the difference between the distance-increase and distance-decrease groups in midpoint growth relative to $\tau = -1$ over event time. The estimates indicate that the extensive margin of trade declines for the distance-increase group relative to the distance-decrease group around the same election even at this aggregate level. The post-pre difference is economically meaningful: it is 6.5% for the number of active firm-product links and 6.8% for the number of firms with active imports, with both differences statistically significant at the 10% level. These aggregate estimates, though noisier, are broadly similar in economic magnitude to the micro-level results in

Table 3, suggesting that the underlying micro responses also show up in broader patterns of trade activity.

6 Economic Mechanism

A growing body of literature shows that political affiliation shapes individuals' perceptions of economic conditions. In particular, political alignment with the president has been shown to be a powerful predictor of households' views of the economy (e.g., Gerber and Huber, 2009; Mian, Sufi, and Khoshkhou, 2023), as well as those of professionals in high-stakes environments, such as credit analysts (Kempf and Tsoutsoura, 2021), loan officers (Dagostino, Gao, and Ma, 2023), and professional asset managers (Cassidy and Vorsatz, 2024). Relatedly, in a cross-border setting, Kempf, Luo, Schäfer, and Tsoutsoura (2023) show that ideological alignment with foreign governments influences banks' GDP growth forecasts, suggesting that political alignment can shape beliefs about foreign macroeconomic conditions as well. Against this backdrop, we interpret our finding that the ideological alignment of CEOs with foreign political parties affects firms' propensity to trade with those countries as evidence that CEO ideology shapes cross-border trade decisions by influencing managers' perceptions of foreign countries. For example, ideologically misaligned CEOs may become more pessimistic about the economic attractiveness of trading with a foreign country because they perceive greater political and economic risk.

This section provides novel evidence from earnings calls consistent with this subjective-beliefs channel and proceeds in two steps. We first show that increases in ideological distance are associated with more negative and more risk-related discussion of the foreign country overall. We then use topic-specific text classifications to identify which aspect of the foreign country drives this shift.

6.1 Subjective Beliefs: Evidence from Earnings Calls

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

Panel C of Table 1 reports summary statistics for the underlying untransformed sentiment and risk measures.

Table 4, Panel A, presents the results. Column (1) shows that firms experiencing an increase in ideological distance tend to express more negative country sentiment following the election, with the effect being statistically significant at the 10% level. In column (2), we find a more precisely estimated effect on perceived country risk: firms whose CEO experiences an increase in ideological distance discuss significantly more risk related to the foreign country relative to firms whose CEO experiences a decrease in distance. These results provide evidence that ideological distance affects how executives talk about foreign countries: they become more negative on average and attach more risk to those countries.

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

Our LLM approach is described in more detail in Internet Appendix Section IA.D. Internet Appendix Table IA.9 provides summary statistics. Firms mention a given foreign country in roughly one out of twelve firm–country-half-years, after restricting the sample to firm-country pairs with at least one country mention during the sample period.[15] Conditional on mentioning a foreign country, executives discuss company- or industry-specific factors in 91% of observations, the country's macroeconomy in about 30% of observations, and the other two topic groups, politics/policy and other, in about 20% of observations each. These shares do not sum to 100% because a given country mention can be associated with more than one topic. Executives are generally less likely to express uncertainty or negative sentiment about company- or industry-specific conditions than about more aggregate conditions.

Panel B of Table 4 examines changes in the propensity to mention the foreign country in

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

an earnings call, as well as the propensity to discuss a given topic conditional on mentioning the country, around elections. We find a marginally lower propensity to mention the foreign country for distance-increase firms (column (1)), but no significant differences in the propensity to discuss a particular topic (columns (2) to (5)).

We next examine changes in uncertainty and sentiment specific to each topic. To do so, we first restrict the analysis to single-topic sentences to avoid contamination, and then compute the average sentiment and uncertainty score across all sentences related to a given topic within a given firm $\times$ country $\times$ half-year cell. Table 4, Panel C repeats the difference-in-difference analysis using topic-specific sentiment scores as the dependent variable. We find a statistically significant decline of 0.029 points in the sentiment score for the foreign macroeconomy when the CEO experiences an increase in ideological distance relative to a CEO who experiences a distance decrease. There are no statistically significant changes in sentiment for any of the other topic categories. In Panel D, we further find a statistically significant increase in uncertainty related to the macroeconomy.

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

An alternative interpretation is that ideology affects CEOs' preferences directly, rather than operating only through beliefs about foreign economic conditions. For example, CEOs may derive nonpecuniary utility or disutility from trading with countries whose governments they support or oppose. In revealed-preference data, such preference-based motives are difficult to distinguish from shifts in subjective beliefs about foreign conditions. We view the subjective-beliefs channel as the more likely interpretation because the earnings-call evidence points specifically to changes in perceptions of foreign macroeconomic conditions, with no corresponding change in firm- or industry-specific conditions. At the same time, we cannot fully rule out that preference-based motives also play a role, and that CEOs rationalize such motives via the macroeconomic outlook in discussions with investors.

6.2 Alternative Explanations

What are potential alternative explanations for our findings? Our main identification strategy already makes several plausible confounding factors less likely. Because identification

comes from comparing firms with different directional changes in CEO ideological distance around the same election and within the same product category, the estimates are unlikely to be driven by common changes in foreign macroeconomic conditions, bilateral relations between the United States and the foreign government, or product-specific demand and supply shocks.

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 Democratic-led U.S. firms.

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

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

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

where s refers to supplier and all other variables are defined as in our baseline equation (2). By including election × product × supplier × time fixed effects (α_{ecpst}), we compare U.S. firms trading the same product with the same supplier at the same point in time. This absorbs any supplier-specific response to the election, including changes in the supplier's own conditions, and thus isolates differential adjustments across U.S. firms facing different changes in ideological distance.

The results from this estimation are reported in Table 5. Our most conservative estimates, reported in column (3), indicate that a U.S. firm whose CEO experiences a distance increase is 1.5 basis points (bps) less likely to import from the same supplier relative to a

firm whose CEO experiences a distance decrease. Relative to the unconditional mean of the dependent variable, this represents a decrease of 10.7%, which is even larger than 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 248 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.8, 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 (Ayyagari, Gao, and Ma, 2025). 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 Figure IA.2, the effects are very similar across elections in which the distance-increase group is either aligned or misaligned with the U.S. president, suggesting that this channel is unlikely to be first-order in our setting.

7 Supply Chain Reconfiguration and Import Costs

In this section, we explore two potential implications of the political-alignment effect for global supply chains. First, how do firms adjust their overall trade network in response to changes in political alignment in an election country? Specifically, do they rely less on foreign imports overall or do they reallocate to other foreign suppliers? Second, do companies pay a price for ideological alignment via higher import prices?

7.1 Supply Chain Reconfiguration

We begin by examining how firms adjust their global trade network in response to shifts in political alignment with foreign governments. A natural question is whether firms respond to ideological misalignment by reducing their overall import volumes or by reallocating to different suppliers.

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

The results, reported in Table 6, indicate that an increase in ideological distance does not lead firms to reduce their import volumes overall, as we find essentially no differences in any of the quantities traded or in the number of origin countries. This suggests that firms are reallocating across foreign countries while leaving total imports broadly unchanged.

7.2 Import Prices

A natural question is whether this politically driven supplier reallocation is costly for firms. Such reallocation may be costly along at least two margins. First, firms may incur higher variable costs if they shift toward suppliers with higher unit prices. Second, they may incur fixed or sunk adjustment costs associated with searching for new suppliers, establishing new sourcing relationships, and unwinding existing ones. The global-sourcing literature emphasizes that sourcing decisions involve country-specific fixed costs and costly supplier reallocation (e.g., Antràs, Fort, and Tintelnot (2017); Grossman, Helpman, and Redding (2024); Handley, Kamal, and Monarch (2024)). Our data do not allow us to observe these fixed and sunk costs directly. We can, however, test whether politically driven sourcing adjustments are associated with higher import prices.

Table 7 examines how firms' import prices change around foreign elections as a function of the CEO's change in ideological distance. We estimate equation (2) using as the dependent variable the weighted average import price for a given firm, product category, and time. To measure import prices, we construct a firm-product-level unit price as a weighted average of unit prices across all source countries from which the firm imports that product, where the weights are proportional to the total import weight, measured in metric tons, from each country for that product in a given half-year. We use six-digit HS codes in this part of the analysis in order to obtain the most accurate price measures possible and to

reduce concerns that the estimates are confounded by product heterogeneity within coarser product categories.

We consider two versions of this measure. In the first, unit prices are averaged over the two-year period preceding the election and held fixed over the entire election window (columns (1) and (2)). In the second, we use annual unit prices that vary over time (columns (3) and (4)). We report the first version because realized post-election unit prices may themselves be affected by the observed quantity response. The dependent variable is the logarithm of the weighted average unit price in columns (1) and (3), and the level of the weighted average unit price in columns (2) and (4). 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 levels.

The coefficient on $Distance\,Increase \times Post$ captures the effect of an increase in the CEO's ideological distance on the weighted average import price for a given six-digit HS product in a given half-year, relative to firms whose CEO experiences a decrease in ideological distance. The estimate in column (1) indicates that firms facing an increase in ideological distance experience a moderate increase in expected import prices of 0.5%, relative to firms experiencing a decrease, when pre-election prices are used to proxy for expected import prices. In raw U.S. dollar terms, this effect corresponds to an increase of $243 per metric ton (column (2)). We find slightly smaller but still statistically significant increases in import prices (0.4% and $191 per ton, respectively) when using realized post-election unit prices.

Taken together, the findings in Table 7 suggest that politically driven sourcing adjustments are costly for U.S. firms. The estimated increase in import prices indicates that firms whose CEOs experience an increase in ideological distance reallocate toward origin countries that are more expensive on the variable-cost margin. These estimates do not capture other potentially important costs of supplier reallocation, such as search, matching, or renegotiation costs.

8 Conclusion

Rising geopolitical tensions have disrupted 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 from the same country, as well as from the same supplier, indicating that unobserved heterogeneity in product demand or supplier characteristics is unlikely to explain the result. We further find that firms facing an increase in ideological distance reallocate towards origin countries with higher unit prices, implying this reallocation is costly on average.

Textual analysis of earnings call transcripts suggests that these trade responses are associated with changes in managers' subjective beliefs about foreign countries. Using both country-level sentiment and risk measures from Hassan, Schreger, Schwedeler, and Tahoun (2024) and our own LLM-based topic classification of country mentions in earnings calls, we show that increases in ideological distance lead executives to discuss the affected foreign country in more negative and more risk-related terms. This change is concentrated in discussion of foreign macroeconomic conditions, with little corresponding change in sentiment or uncertainty about firm- or industry-specific conditions. These findings are most consistent with a mechanism in which ideological distance shapes firms' sourcing decisions by altering executives' perceptions of the foreign macroeconomic environment.

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

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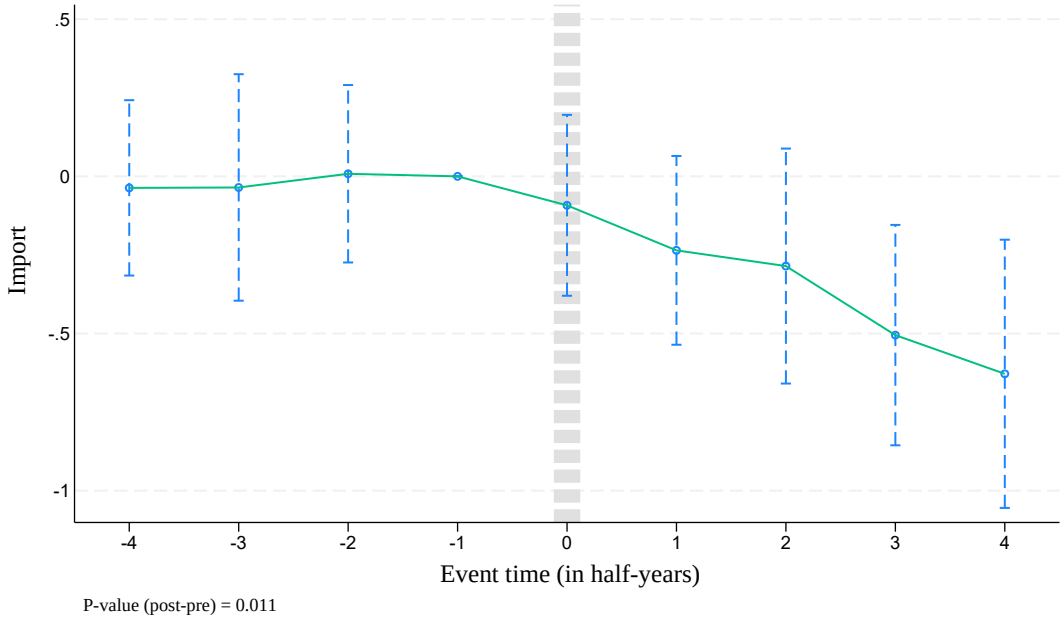


Figure 1: **CEO Ideological Distance and Foreign Trade**

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

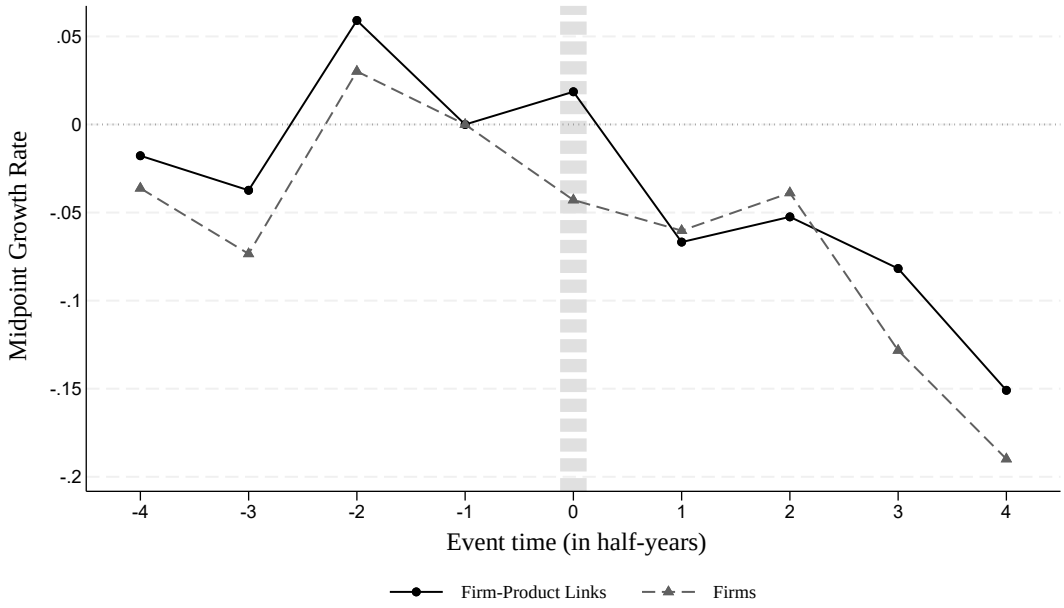


Figure 2: **Aggregate Effects**

The figure plots aggregate event-study estimates of the difference between the distance-increase and distance-decrease groups in the midpoint growth rate of the number of firm-product links and the number of firms with active imports around an election. For each half-year and firm group, we first count the number of firm-product links and the number of firms with active imports from the election country. We then compute the midpoint growth rate of each variable relative to period $\tau - 1$ and regress it on event dummies interacted with an indicator for the distance-increase group, while absorbing election $\times$ time fixed effects. The corresponding 95% confidence intervals are based on standard errors clustered at the election level.

Table 1: **Summary Statistics**

The table reports summary statistics for our main samples. In Panel A, shipment, volume, weight, and value are presented for observations conditional on a firm importing from that country at the half-year. All variables are defined in Appendix A.1.

	Count	Mean	SD	P25	Median	P75
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Firm × Election × HS2-Product × Half-year						
Import Indicator (× 100)	1,689,777	5.33	22.47	0.00	0.00	0.00
Distance Increase	1,689,777	0.53	0.50	0.00	1.00	1.00
Shipments	90,120	10.70	51.59	1.00	2.00	6.00
Volume (TEU)	85,126	24.99	191.82	0.50	2.00	8.00
Weight (Tons)	90,120	5,112.33	88,042.63	2.54	14.82	75.99
Value ($K)	87,304	14,235.76	277,665.37	27.15	140.92	777.53
Panel B: Firm × Election × HS6-Product × Half-year						
Unit Price ($k per ton)	2,657,309	22.14	45.45	3.86	8.77	20.81
Panel C: Firm × Election × Half-year						
Country Risk	246,952	130.21	249.92	38.17	86.34	162.79
Country Sentiment	246,952	1,465.52	2,520.30	660.25	1,299.08	1,982.89

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

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

Dependent Variable:	Import Indicator		
	(1)	(2)	(3)
Distance Increase × Post	-0.371***	-0.309***	-0.310***
	(-2.85)	(-2.72)	(-2.71)
Economic Effect %	-7.38	-6.13	-5.82
Election × Product × Time FE	Yes	Yes	Yes
Firm × Election FE	No	Yes	No
Firm × Product × Election FE	No	No	Yes
R^2	0.067	0.218	0.609
N	1,855,546	1,848,727	1,689,777

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

The table reports differences in changes in import quantities between U.S. firms whose CEO experiences an increase versus decrease in ideological distance around foreign elections. For each firm-product-election, we aggregate import quantities from the election country over the pre- and post-election periods; the unit of observation is thus a U.S. firm × foreign election × product category. The dependent variables are midpoint growth rates, as defined in equation (4), where quantities are measured as 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 thousands of U.S. dollars (column (4)), respectively. Panel A reports results for the total growth rate. Panels B and C decompose this total effect into three mutually exclusive components: the entry margin (column (1) of Panel B), the exit margin (column (2) of Panel B), and the intensive margin (Panel C). *Distance Increase* is an indicator equal to one if the ideological distance between the CEO of the U.S. firm and the winning party in the foreign country increases after the election, and zero otherwise. t-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

Panel A: Total Change in Quantities

Dependent Variable:	Midpoint Growth Rate			
	Shipments	Volume	Weight	Value
	(1)	(2)	(3)	(4)
Distance Increase	-0.093***	-0.073**	-0.075**	-0.077**
	(-2.94)	(-2.15)	(-2.16)	(-2.23)
Election × Product FE	Yes	Yes	Yes	Yes
R^2	0.116	0.113	0.113	0.112
N	31,975	31,975	31,975	31,975

Panel B: Entry and Exit Margin Only

Dependent Variable:	Midpoint Growth Rate	
	Entry Only	Exit Only
	(1)	(2)
Distance Increase	-0.041**	-0.033**
	(-2.03)	(-2.18)
Election × Product FE	Yes	Yes
R^2	0.111	0.113
N	31,975	31,975

Panel C: Intensive Margin Only

Dependent Variable:	Midpoint Growth Rate (Intensive Margin Only)			
	Shipments	Volume	Weight	Value
	(1)	(2)	(3)	(4)
Distance Increase	-0.018*	0.001	-0.001	-0.003
	(-1.79)	(0.10)	(-0.07)	(-0.26)
Election × Product FE	Yes	Yes	Yes	Yes
R^2	0.082	0.071	0.072	0.072
N	31,975	31,975	31,975	31,975

Table 4: **CEO Ideological Distance and Foreign Country Perception**

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

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

Dependent Variable:	IHS(Country Sentiment)	IHS(Country Risk)
	(1)	(2)
Distance Increase × Post	-0.127*	0.030**
	(-1.72)	(2.44)
Election × Time FE	Yes	Yes
Firm × Election FE	Yes	Yes
R^2	0.430	0.488
N	241,695	241,695

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

Dependent Variable: Mention of	Foreign Country	Conditional on Foreign Country Mention			
		Company/ Industry	Macro-economy	Politics/ Policy	Other
	(1)	(2)	(3)	(4)	(5)
Distance Increase × Post	-0.004*	0.001	0.003	0.016	0.024
	(-1.66)	(0.13)	(0.20)	(1.21)	(1.57)
Election × Time FE	Yes	Yes	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes	Yes	Yes
R^2	0.597	0.452	0.507	0.453	0.424
N	316,589	23,526	23,526	23,526	23,526

Panel C: Sentiment by Topic (LLM Classification)

Dependent Variable:	Topic-Specific Sentiment			
	Company/Industry	Macroeconomy	Politics/Policy	Other
	(1)	(2)	(3)	(4)
Distance Increase × Post	0.008	-0.029***	-0.008	-0.005
	(0.39)	(-2.93)	(-1.44)	(-0.68)
Election × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes	Yes
R^2	0.437	0.329	0.279	0.272
N	23,526	23,526	23,526	23,526

Panel D: Uncertainty by Topic (LLM Classification)

Dependent Variable:	Topic-Specific Uncertainty			
	Company/Industry	Macroeconomy	Politics/Policy	Other
	(1)	(2)	(3)	(4)
Distance Increase × Post	0.005	0.018**	-0.006	0.000
	(0.63)	(2.50)	(-1.13)	(0.01)
Election × Time FE	Yes	Yes	Yes	Yes
Firm × Election FE	Yes	Yes	Yes	Yes
R^2	0.389	0.298	0.273	0.274
N	23,526	23,526	23,526	23,526

Table 5: **CEO Ideological Distance and Foreign Trade: Within-Supplier Test**

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

Dependent Variable:	Import Indicator		
	(1)	(2)	(3)
Distance Increase × Post	-0.016***	-0.015***	-0.015***
	(-5.50)	(-4.69)	(-4.69)
Economic Effect %	-12.14	-10.93	-10.70
Election × Product × Supplier × Time FE	Yes	Yes	Yes
Firm × Election × Product FE	No	Yes	No
Firm × Supplier × Election × Product FE	No	No	Yes
R^2	0.014	0.056	0.436
N	66,384,144	66,377,182	63,474,659

Table 6: **CEO Ideological Distance and Supply Chain Reconfiguration**

The table examines changes in the number of sourcing countries and total import quantities between U.S. firms whose CEO experiences an increase versus a decrease in ideological distance around a foreign election. At the firm-product-election level, we compute (i) the number of distinct sourcing countries from which a firm imports a given product in the pre- and post-election periods, and (ii) the firm's total imports of that product over the same intervals. The unit of observation is a U.S. firm × foreign election × product. Our dependent variables are midpoint growth rates, as defined in equation (4), where Q is measured as the number of distinct sourcing countries used by the firm in a given product category (column (1)), the number of shipments (column (2)), volume in TEU (column (3)), cargo weight in tons (column (4)), and the estimated dollar value of goods in thousands of U.S. dollars (column (5)), respectively. In columns (2) to (5), imports are aggregated across all sourcing countries within a given firm, product, and time period. t-statistics, reported in parentheses, are based on standard errors that are clustered at the CEO party × election level. *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

Dependent Variable:	Midpoint Growth Rate				
	Countries	Shipments	Volume	Weight	Value
	(1)	(2)	(3)	(4)	(5)
Distance Increase	0.003	-0.001	-0.001	0.000	0.005
	(0.62)	(-0.16)	(-0.11)	(0.05)	(0.76)
Election × Product FE	Yes	Yes	Yes	Yes	Yes
R^2	0.040	0.047	0.045	0.045	0.043
N	444,911	444,911	444,911	444,911	444,911

Table 7: **CEO Ideological Distance and Import Prices**

The table examines changes in firms' weighted average import prices around foreign elections. We compute firm-HS6-product level import prices as the weighted average unit price (in thousands of U.S. dollars per metric ton), where the weights are proportional to the imported cargo weight (in tons) from each sourcing country in a given HS6-product and half-year. Columns (1) and (2) use the average unit price during the pre-election period for a given firm-product-election, and columns (3) and (4) use the annual firm-product-country unit price. The dependent variable is the logarithm of the weighted average unit price in columns (1) and (3), and the raw unit price (in thousands of U.S. dollars per metric ton) in column (2) and (4). 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.

	Pre-Election Prices		Annual Prices	
Dependent Variable:	Log(Unit Price)	Unit Price	Log(Unit Price)	Unit Price
	(1)	(2)	(3)	(4)
Distance Increase × Post	0.005**	0.243***	0.004*	0.191**
	(2.20)	(3.29)	(1.69)	(2.03)
Election × Product × Time FE	Yes	Yes	Yes	Yes
Firm × Product × Election FE	Yes	Yes	Yes	Yes
R^2	0.962	0.933	0.940	0.910
N	2,000,057	2,000,057	1,991,208	1,991,208

A Appendix

A.1 Variable Definitions

Variable	Description
Dependent variables:	
Import Indicator	Indicator equal to one if the U.S. firm imports from a given foreign country in a given product category and half-year, and zero otherwise. Multiplied by 100 for ease of interpretation.
Shipments	The total number of shipments recorded in Panjiva for a given firm, country, product category, and time period.
Volume (TEU)	The total number of twenty-foot equivalent units (TEUs) imported by a given U.S. firm from a given foreign country in a given product category and time period.
Weight	The total weight in tons imported by a given U.S. firm from a given foreign country in a given product category and time period.
Value	The estimated U.S. dollar value of goods (in thousand) by a given U.S. firm from a given foreign country in a given product category and time period.
Country Sentiment	Average country sentiment from Hassan, Schreger, Schwedeler, and Tahoun (2024) at the firm-country-half-year level, based on the tone of earnings-call discussion of a foreign country.
Country Risk	Average country risk from Hassan, Schreger, Schwedeler, and Tahoun (2024) at the firm-country-half-year level, based on risk- and uncertainty-related earnings-call discussion of a foreign country.
Topic-Specific Sentiment	Average sentiment of earnings-call sentences mentioning a foreign country and classified by the LLM into a single topic category, measured at the firm-country-topic-half-year level. When a topic is not discussed but the foreign country is mentioned, sentiment takes the midpoint value of zero.
Topic-Specific Uncertainty	Average uncertainty of earnings-call sentences mentioning a foreign country and classified by the LLM into a single topic category, measured at the firm-country-topic-half-year level. When a topic is not discussed but the foreign country is mentioned, uncertainty takes the midpoint value of 0.5.
Unit Price	The weighted average unit price for a given firm and six-digit HS code product and half-year, with the weights being proportional to the quantity of goods imported (in metric tons) by the firm from a given country in a given half-year. We consider two versions of this measure: one in which country-specific product unit prices are averaged over the two-year periods preceding the election, and another based on annual unit prices.

Continued on next page

Table A.1 – continued

Variable	Description
Independent variables:	
Distance increase	Indicator equal to one if the change in the ideological distance between the firm's CEO and the foreign country, as defined in equation (1), is non-negative, and zero otherwise.
Post	Indicator equal to one if the time period falls after a given election ($\tau = 0$ to $\tau = +4$), and zero otherwise.