Discussion: Geoeconomic Pressure

by Clayton, Coppola, Maggiori & Schreger (2026)

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How are Firms Affected by Geoeconomic Tensions?

1. Novel, systematic, firm-level text measurement of geoeconomic pressure via replicable LLM inference.
2. Export controls drive R&D by targeted firms; sanctions drive supply-chain adjustment; trade-war winners use few foreign inputs yet raise prices.
3. The US applies controls and sanctions through strategic chokepoints.

Public resource: Updated map of economic statecraft around the world.

Key Input 1: Firm Earnings Calls

Audio/video call + machine-readable transcript

Movado — 2026 Q2 earnings call

"...adjusted operating profit more than doubled to \$7 million from \$2.6 million last year despite a \$2.2 million impact from unmitigated U.S. tariff expenses... After the quarter ended, the United States implemented a tariff rate of 39% on Swiss imports."

- **Timely:** Quarterly regular earnings calls for US-listed firms. Here, even a tariff change that occurred *after* the quarter closed.
- **Reliable:** On-the-record, legally consequential disclosures with specific, verifiable figures.
- **Global:** Standardized and machine-readable across ~1.2M documents (including Chinese firms' calls).

What do these top executives say about geopolitical pressures?

Key Input 2: Custom-Designed Survey via LLM

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You are assisting me in analyzing companies' earnings calls. The transcript of the
    earnings call will be supplied as the user prompt.

Your goal is to determine whether the company discusses impacts on its business due to
    various economic policies.  We define each in turn.

A. Tariffs are defined as taxes imposed on imported foreign goods. In order to be
    considered tariffs, these policies must be imposed by the importing country to be
    classified as tariffs.

B. Sanctions are government-imposed restrictions on trade or financial transactions
    designed to coerce, punish, or deter targeted firms or governments.

C. Export controls are defined as restrictions on which countries or foreign firms a
    company is allowed to sell their goods or services to. In order to be considered
    export controls, these policies must be imposed by the exporting countries, in
    contrast to import tariffs, which are instead taxes imposed by the importing country
    .
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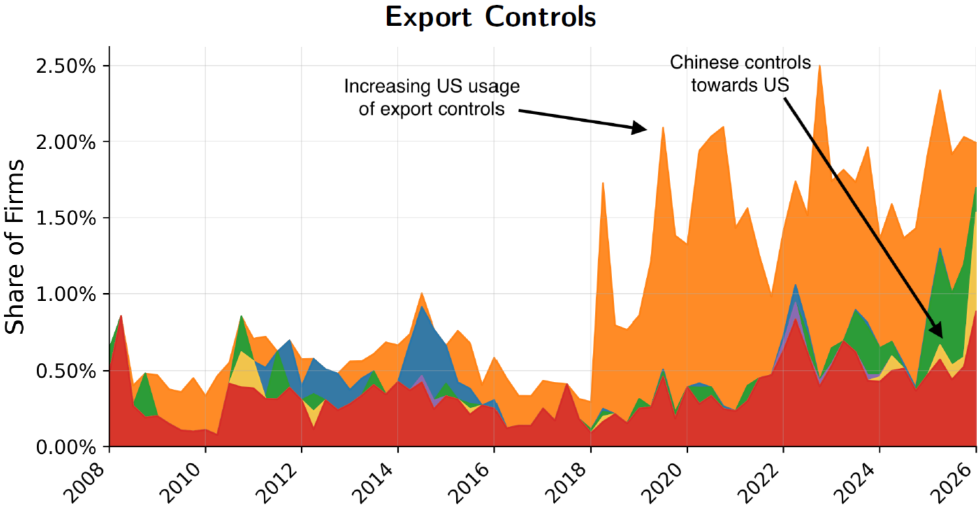
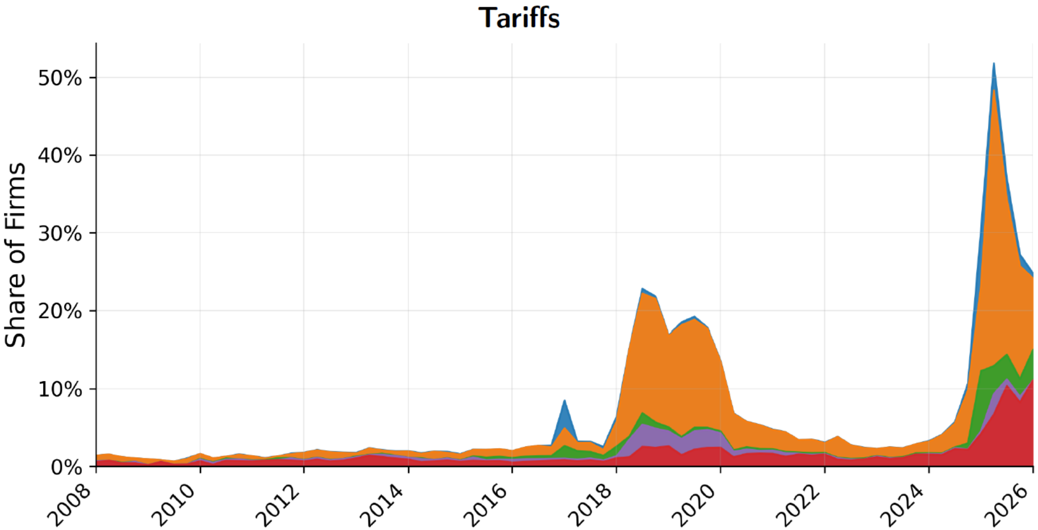
Result 1: Geoeconomic Pressure has Increased (Export Controls)



Result 1: Geoeconomic Pressure has Increased (Tariffs)



Result 2: Firms Respond to Geoeconomic Pressure Innovatively

$$\text{R\&D up}_{i,t} = \alpha_i + \gamma_t + \beta_1 \text{Receiving}_{it} + \beta_2 \text{Chinese}_i + \beta_3 (\text{Receiving}_{it} \times \text{Chinese}_i) + \varepsilon_{it}$$

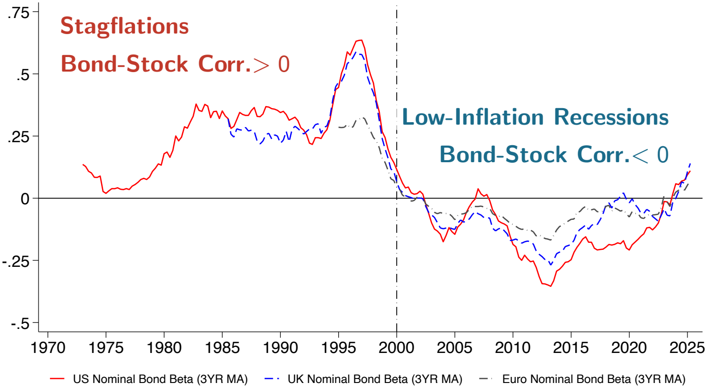
	(1)	(2)	(3)	(4)
Receiving	0.348^{***}	0.287^{***}	0.185^{***}	0.183^{***}
	(0.018)	(0.023)	(0.053)	(0.064)
Chinese Firms		0.076^{***}	0.025^{**}	0.011
		(0.020)	(0.012)	(0.016)
Receiving $\times$ Chinese			0.159^{***}	0.186^{***}
			(0.058)	(0.071)
Observations	4,573	4,573	4,573	4,573
Industry FE / Time FE	No	No	No	Yes

Chinese firms targeted by export controls raise R&D.
More broadly geoeconomic statecraft creates losers *and* winners.

Comments

- Amazing new and publicly available data: Highly granular at the firm level
- Paper highlights the heterogenous effects of geoeonomic pressure and firm responses.
- Conversely, the US government appears to be strategic in its targeted sectors
- **Macroeconomic implications:** Using this new data, are tariffs are stagflationary?

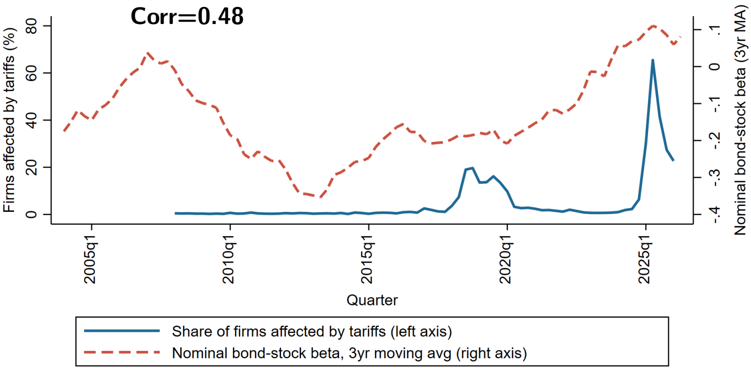
Stagflation Changes Bond-Risks



Campbell, Pflueger, and Viceira (2026) Figure 1

Three-year rolling regressions of daily 10-year government bond returns on local stock returns, smoothed over 12 quarters. US, UK, and Eurozone shown.

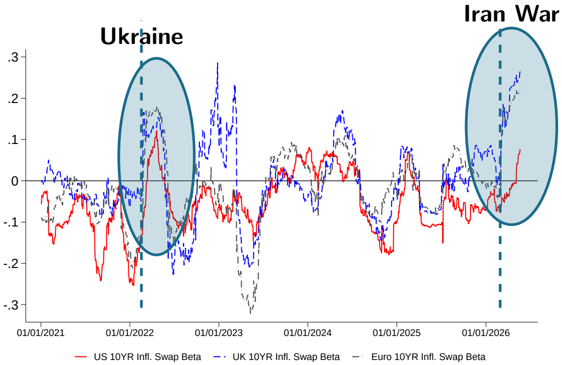
Correlation between Firms Exposed to Tariffs vs. Bond Risks (US)



Notes: Quarterly, 2004-2026. Left axis: share of U.S. firms flagged as affected by tariffs (GCAP Geoeconomic Monitor). Right axis: U.S. nominal bond-stock beta, 3-year moving average (Figure 1, Campbell, Pflueger, and Viceira (2026)).

Stagflation risk rises during periods of tensions. Similar for UK and Eurozone.

Higher-Frequency: Bond Risks Rise around Geopolitical Events



Campbell, Pflueger & Viceira (2026), Figure 3

Stagflation risk increases around Ukraine and Iran wars. Heterogeneous across countries.

Conclusion

- Novel, replicable, and timely firm-level map of geoeconomic pressure: An LLM "survey" of executives.
- Firms respond endogenously: export controls can raise R&D, sanctions reshuffle supply chains, statecraft creates winners and losers.
- The US targets strategic chokepoints.

Macroeconomic and policy implications.

- Geopolitical tensions and tariffs correlate with stagflation risk priced in financial markets.

For researchers, novel public good will spur research across trade, macro, and finance.
For policymakers, timely monitor of geoeconomic pressure and firm responses.