Government Support and Firm Strategy: The Case of Ambassadors and Export Finance

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Abstract

States routinely help firms manage risk by providing two core forms of support: information that reduces uncertainty about markets, partners, and political conditions, and financing that insures against commercial and political loss. We argue that firms treat these tools as a unified portfolio and reallocate between them when one becomes temporarily unavailable. We examine this logic in the context of export promotion, where ambassadors provide market intelligence and informal enforcement, while export credit agencies (ECAs) supply insurance, guarantees, and loans. Ambassadorial vacancies disrupt the informational pillar while leaving financial support intact. Using nearly three decades of monthly, deal-level data from the U.S. Export–Import Bank matched to global ambassadorial appointment records, we show that vacancies significantly increase firms' reliance on ECA support without altering EXIM's screening standards, risk assessments, or deal sizes. The findings reveal how firms compensate for fluctuations in state capacity, highlighting substitution across informational and financial instruments as a general feature of economic statecraft.

Keywords: Trade finance, bureaucracies, diplomacy, export credit, deal-level data

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Modern states support economic activity not only through macroeconomic policy or trade agreements, but also through targeted (bureaucratic) services that can help firms manage risk (Gertz, 2018; Lee and Hudson, 2004; Plouffe and Van Der Sterren, 2016; Clark, Dolan, and Jost, 2025; Kim and Fu, 2025; Liao, 2023). Across policy domains, governments provide two foundational forms of assistance. Informational support reduces uncertainty about partners, regulations, and political conditions (Breen and Doak, 2023; Eckhard, 2021; Schub, 2022; Li et al., 2018). Financial support reduces exposure to commercial and political loss (Bunte, Gertz, and Zeitz, 2022; Peterson and Downie, 2024; Oramah and Dzene, 2025; Matray et al., 2024; Klasen, 2011). Firms, investors, and even subnational governments routinely draw on both pillars when operating in environments marked by incomplete information or weak enforcement.

This complementary pairing appears across diverse policy areas. Investment Promotion Agencies (IPAs) supply firms with market intelligence and vetted contacts, while development finance institutions or sovereign wealth funds furnish co-financing. Domestic entrepreneurship programs follow a similar structure: In the United States, Small Business Development Centers provide advisory services, while agencies such as the U.S. Small Business Administration underwrite loans and guarantees.

Despite the ubiquity of these paired interventions, we know little about how actors combine them or reallocate across them when one channel temporarily weakens. Administrative gaps, budget cuts, and staffing rotations can weaken one pillar while the other remains fully intact. Scholarship typically examines informational and financial state support in isolation: IPAs without development banks, advisory centers without state support, embassies without export credit agencies (ECAs).

Firms, however, do not experience the state one bureaucracy at a time. They face intertwined risks and assemble portfolios of state-provided services whose relative value shifts when bureaucratic capacity changes. This raises a fundamental question: How do actors adjust their risk-management portfolios when one pillar of state support falters? When an IPA office closes, when advisory staff are downsized, or when a diplomatic post goes dark, do firms compensate by relying more heavily on the financial arm of the state? Strong intuitions exist; systematic evidence does not.

This logic is especially visible in international commerce, which offers a clean empirical laboratory for studying how firms combine—and switch between—informational and financial forms of state support. Exporting exposes firms to informational uncertainty about buyers, enforcement uncertainty over contract performance, and financial uncertainty related

to non-payment or political shocks. States offer firms a matched set of tools. Ambassadors provide market intelligence, introductions, and informal enforcement that help firms identify reliable partners and resolve disputes before they escalate (Malis, 2021; Kim and Fu, 2025; Thrall, 2025; Li et al., 2018). ECAs supply the financial side of the portfolio—insurance, guarantees, and loans that allow firms to transact in risky markets (Oramah and Dzene, 2025; Klasen, 2011). Yet existing research typically examines these tools separately, leaving us without a framework for understanding how firms shift between them when conditions change.

Ambassadorial vacancies offer a rare opportunity to observe this reallocation process. When an ambassadorial post vacates, curated matchmaking and political access temporarily weaken. In 2000, for example, the unexpected departure of the U.S. ambassador to Tunisia in September led firms to report fewer partner introductions and slower dispute mediation; in the same period, EXIM's short-term insurance products marked a noticeable uptick.[1] Such episodes illustrate a more general mechanism: when the informational pillar weakens while the financial pillar remains intact, exporters may re-optimize their portfolios by shifting toward ECA support.

Our argument builds on this insight. Ambassadorial vacancies function as informational shocks that disable matchmaking and informal enforcement. Firms suddenly lose access to tailored information that normally helps them evaluate counterparties and prevent disputes. The financial pillar, by contrast, remains unchanged: the U.S. Export–Import Bank (EXIM) continues to offer the same set of products under the same screening procedures and country risk ratings. The core implication is behavioral: when informational support weakens, the relative value of financial backing rises, prompting more firms to seek EXIM insurance, guarantees, and working-capital support—especially short-term products that help manage heightened uncertainty. This shift reflects a reoptimization by firms, not any change in EXIM's own risk appetite. Export promotion thus appears not as a set of siloed bureaucratic activities, but as a portfolio that firms actively reweight in response to fluctuations in the state's administrative capacity.

We evaluate this argument using novel data that compiles nearly thirty years of monthly, deal-level EXIM transactions which we match to detailed records of ambassadorial appointments and vacancies. Because vacancies arise from political and administrative processes that are largely orthogonal to the month-to-month evolution of commercial opportunities,

[1] EXIM approved 2 loans during the subsequent 10 month vacancy period. This 20 percent monthly approval rate exceeds the average monthly EXIM loan approval rate for Tunisia during a non-vacancy period (8 percent per month).

they provide a plausibly exogenous source of variation to the informational pillar of export support, while leaving the financial pillar fully intact. This allows us to treat vacancies as a quasi-natural experiment in firm behavior and to identify how exporters respond when a key source of information temporarily disappears.

Using a timing-based causal identification strategy, we show that ambassadorial vacancies increase the likelihood of EXIM support, likely driven by more firms seeking coverage. At the same time, EXIM's behavior remains unchanged. EXIM's own country risk assessments do not shift and deal size stays constant remain stable. Further, we show that vacancies themselves—rather than ambassador characteristics or changes in EXIM policy—seem to drive the effect.

Our work yields several contributions. First, we show that firms shift systematically between informational and financial state support when one pillar weakens—a dynamic invisible when ambassadors or ECAs are studied separately. Second, we provide a firm-centered account of bureaucratic complementarities, reframing export promotion as a portfolio that firms actively reweight in response to fluctuations in administrative capacity. Third, although our empirical setting is specific, the logic is general. The same substitution dynamics emerge when an overseas IPA office is shuttered, or when budget cuts reduce advisory capacity. Finally, we contribute to research on the political economy of risk by showing that firms respond to rising uncertainty not only by withdrawing from markets, but also by reallocating across different forms of state support—even when underlying market fundamentals remain unchanged.

1 State Support for Exporting Firms

1.1 What Problems Do Exporting Firms Face?

Free Trade Agreements, Preferential Trade Agreements, and regional trading blocs provide important institutional foundations for international commerce. By lowering tariffs, harmonizing standards, and streamlining customs procedures, these agreements reduce the transaction costs that typically confront exporters (Plouffe and Van Der Sterren, 2016; Li et al., 2018). They also establish legal commitments that protect firms against arbitrary policy shifts or discriminatory practices by host-country governments, thereby offering exporters a measure of predictability in their cross-border engagements (Wellhausen, 2015; Carcelli, 2024; Dahlström and Lapuente, 2022; Gertz, 2018).

Yet even in well-institutionalized trading relationships, exporters confront three fundamental market failures that agreements cannot fully eliminate. The first involves informational asymmetries surrounding the process of identifying and evaluation potential foreign partners (Gertz, 2018; Malis, 2021; Kim and Fu, 2025; Plouffe and Van Der Sterren, 2016). Firms—and especially small and medium-sized enterprises—often lack detailed knowledge about trustworthy distributors, regulatory conditions, or rapidly changing sectoral opportunities abroad. Agreements can remove tariff barriers, but they cannot reveal which local firms are creditworthy, which regulatory agencies are reliable, or which industries offer genuine commercial promise.

A second market failure concerns the enforcement of contracts once a cross-border transaction has begun. When disputes arise, exporters must navigate foreign legal systems that may be slow, costly, or unpredictable (Gray and Potter, 2020; Malis, 2021). Although contracts commonly include arbitration clauses and agreements provide for dispute settlement, these mechanisms are often beyond the practical reach of SMEs. Prolonged litigation can easily exceed the value of the underlying transaction, and firms may face significant hurdles in compelling cooperation from counterparties or securing timely judgments in unfamiliar judicial environments (Li et al., 2018; Dahlström and Lapuente, 2022, Gertz, 2018). As a result, the risk of non-payment or opportunistic behavior remains a central concern even where formal legal protections exist.

The third, market failure pertains to financial constraints. In principle, private markets could fill this gap. Commercial banks can provide working capital, and private insurers can underwrite commercial or political risk (Klasen, 2011; Klasen et al., 2022; Turguttopbas, 2013). In practice, however, these markets are incomplete. Private lenders frequently withdraw from markets perceived as volatile or risky, and insurers often decline to cover transactions in countries where information is limited, legal enforcement is uncertain, or political conditions are unstable (Oramah and Dzene, 2025; Matray et al., 2024). Even when coverage is technically available, premiums in such environments can be prohibitively expensive, leaving firms with few viable options (Peterson and Downie, 2024). The result is a persistent shortfall in private trade finance precisely in the markets where firms may see the greatest opportunities for expansion.

1.2 Why Markets Alone Cannot Solve These Problems

These three problems—matchmaking failures, enforcement uncertainties, and financial constraints—create enduring obstacles for exporters. One might expect private markets top provide so-

lutions to these problems. Yet in practice, market-based solutions remain incomplete.

Informational problems are a first and persistent obstacle. Although commercial data providers exist, their coverage is often thin in the very markets where U.S. exporters may seek new opportunities. Information on firm reliability, ownership structures, regulatory compliance, or sector-specific risks is frequently scarce or outdated, and private intermediaries have weak incentives to invest in costly information generation for a global universe of small and medium-sized exporters (Williams, 2003). As a result, private actors cannot reliably match exporters to trustworthy partners or supply the localized market intelligence that firms require to make informed choices about where and how to expand. A second gap concerns enforcement. While arbitration clauses and international dispute resolution mechanisms are available on paper, their practical use is fraught with challenges. Resolving cross-border commercial disputes entails high up-front legal costs, long timelines, and logistical burdens associated with assembling documentation and securing cooperation across jurisdictions (Gertz, 2018; Malis, 2021). SMEs rarely have the resources to undertake such efforts, and even large firms may be reluctant to invoke formal procedures for fear of jeopardizing ongoing commercial relationships (Gray and Potter, 2020). Private legal markets thus offer only partial and often inaccessible solutions to the enforcement challenges that exporters routinely face.

Finance represents the third, and perhaps most consequential, area where private markets fall short. In environments characterized by political volatility, weak institutions, or macroeconomic instability, private insurers frequently withdraw coverage altogether or offer it only at highly restrictive terms (Oramah and Dzene, 2025; Peterson and Downie, 2024; Matray et al., 2024). Banks, facing similar information asymmetries and enforcement concerns, may curtail lending or require collateral that exporters cannot easily provide (Klasen, 2011; Klasen et al. 2022; Turguttopbas, 2013). Even where private finance exists, the cost of hedging cross-border risks can be prohibitive, especially for transactions in emerging or frontier markets where opportunities may be greatest.

The result is that exporters remain exposed to uncertainties that directly threaten their ability to initiate and complete cross-border transactions: they may lack reliable partners, face limited recourse when deals sour, and be unable to secure affordable financial protection against non-payment or political shocks. It is precisely within these gaps that state bureaucracies step in. Ambassadors and export credit agencies (ECAs) operate as complementary arms of government support, each addressing a distinct set of vulnerabilities. Ambassadors deploy political capital, local knowledge, and relationship-building to mitigate

informational and enforcement risks, while ECAs provide the financial capacity and insurance instruments that private markets cannot reliably supply. In the sections that follow, we develop a firm-centric theory of how exporters rely on these bureaucratic tools under normal conditions—and how their behavior shifts when one of these supports suddenly disappears.

1.3 How Ambassadors Reduce Firms' Informational and Enforcement Risks

Ambassadors are the representatives of their states abroad, serving simultaneously as diplomats, political intermediaries, and advocates for domestic firms. Governments across the globe strategically deploy their diplomatic corps to advance commercial interests, a practice deeply intertwined with broader foreign policy objectives (Rose, 2007; Malone 2013). This connection is often articulated explicitly. In his first major speech as Secretary of State, Anthony Blinken (2021) described trade promotion as part of the United States' "enlightened self-interest," essential to securing "new markets for our products, new allies to deter aggression, and new partners to help meet global challenges." Ambassadors play a particularly central role because they combine formal diplomatic authority with on-the-ground presence, privileged access, and political credibility.

From a firm-centric perspective, ambassadors help exporters overcome three categories of market failure: matchmaking, enforcement, and expectations about financial support. The first channel involves matchmaking and the provision of localized market intelligence. Ambassadors cultivate personal relationships with host-country officials, business leaders, and regulatory authorities, enabling them to identify trustworthy partners and reduce exporters' search and coordination costs. These personal ties are especially valuable in environments with weak institutions, where commercial activity relies heavily on face-to-face interaction and interpersonal trust (Ahmed and Slaski, 2023). Unlike lower-ranked bureaucrats, ambassadors have the authority to convene meetings with senior political and business figures. As one former U.S. ambassador to Ukraine noted about his relationship with President Leonid Kuchma, "I had to meet him constantly to keep progress on agreed goals going... an ambassador has great value, simply as a human presence... There is no substitute for it" (Association of Diplomatic Studies and Training 2012, p. 71). Through such networks, ambassadors can introduce U.S. exporters to reliable foreign buyers, alert firms to regulatory or political shifts before they occur, and help firms navigate complex host-country bureaucracies.

Embassies routinely arranged meetings for visiting EXIM officials, ensuring access to

high-level counterparts. A 1973 cable requested that the embassy schedule appointments with the Ministry of Finance, the Central Bank, and major industry representatives for an EXIM economist, adding that "Ms. Pearson will be available to meet with potential Eximbank borrowers if interested" (U.S. Department of State 1973a). Conversely, ambassadors sometimes asked EXIM to visit their posts to provide clarity on financing policies. As one Buenos Aires cable put it, the lack of such clarity was "hampering us in advising U.S. suppliers and foreign buyers" (U.S. Department of State 1973b). These examples illustrate how embassies supplied the logistical infrastructure and political credibility that enabled EXIM to operate effectively in-country.

A second channel through which ambassadors support exporters concerns enforcement. When disputes arise, ambassadors can intervene informally with foreign officials to prevent conflicts from escalating into costly legal battles (Gertz, 2018, Malis, 2021; Kim and Fu, 2025). They can mediate disagreements, press local authorities for timely resolution, and signal that the home government is invested in protecting its firms' interests. In this sense, ambassadors function as political risk managers: they raise the expected recoverability of claims, reduce the likelihood of opportunistic defaults, and give exporters confidence that commitments will be honored. Their combination of formal diplomatic authority and informal influence makes them uniquely capable of limiting the kinds of disputes that would otherwise push firms toward expensive arbitration or deter them from engaging in higher-risk markets altogether.

Archival evidence underscores the importance of this enforcement channel. As Gertz (2018, p. 99) documents, U.S. ambassadors have repeatedly intervened to prevent commercial disputes from escalating into costly ruptures. In the late 1990s, for example, Ambassador Robert Gelbard personally stepped into a conflict in which the Indonesian government sought to void electricity contracts with American firms on corruption grounds. Gelbard negotiated directly with the national utility regulator, and the decision to drop the corruption case—described as "surprising and controversial"—likely would not have occurred without sustained U.S. diplomatic pressure, allowing the parties to reach an interim agreement. A parallel episode unfolded in Bangladesh, where Ambassador John Holzman helped the American energy firm AES avert the cancellation of a major power contract. Holzman met with the prime minister and senior cabinet officials, warning that reneging on the deal would amount to "changing the rules after the fact" and would damage Bangladesh's broader investment climate. The government ultimately reversed course and upheld both contracts. These cases illustrate how ambassadors use political access and informal leverage to en-

force commitments, resolve disputes, and safeguard exporters from abrupt or opportunistic government actions.

A third and closely related channel concerns how ambassadors shape firms' expectations about the financial support that EXIM may ultimately provide. Although ambassadors have no authority to approve or deny financing, they play an important role at the boundary between diplomatic and financial stages of an export transaction. Specifically, ambassadors can advocate on behalf of firms to receive EXIM support.

Archival evidence shows that ambassadors frequently advocated for the financing of specific projects, often framing them as advancing U.S. strategic interests in addition to commercial goals. A prominent example comes from Yugoslavia, where the U.S. embassy strongly encouraged EXIM to finance the Kosovo Thermoelectric Project. The embassy characterized the project as a top national priority for the host government and emphasized that partial U.S. financing would generate substantial commercial benefits—an estimated $100 million in exports—while strengthening bilateral political ties (U.S. Department of State 1975). In Tanzania, the embassy similarly urged EXIM to support investments in textile mills, highlighting President Julius Nyerere's stature and the project's potential to open markets previously dominated by socialist European funders. The ambassador portrayed EXIM financing not simply as a credit decision, but as a means to secure a foothold for U.S. firms in a politically important and commercially promising environment (U.S. Department of State 1974b).

Advocacy also involved pushing back when ambassadors believed EXIM's assessments were overly conservative. A 1978 cable from Damascus criticized the bank's refusal to finance export credits to Syria, noting that European and Japanese institutions viewed the country as creditworthy. The ambassador argued that EXIM's selective reading of embassy reports had led to an unwarranted withdrawal from the Syrian market, thereby undermining U.S. competitiveness in the region (U.S. Department of State 1978b). Such exchanges underscore that, while EXIM retained exclusive authority over financing decisions, ambassadors sought to shape the bank's interpretation of risk and its understanding of political priorities.

Taken together, these activities show that ambassadors reduce exporters' informational problems, address enforcement risks, plus advocate for EXIM support for particularly worthwhile or risky projects. Firms benefit from curated introductions, credible vetting, early intelligence, and informal dispute resolution—all of which lower the uncertainty associated with initiating and completing cross-border transactions.

1.4 How ECAs Reduce Firms' Financial Risks

Export credit agencies perform a function that is distinct from, yet fundamentally complementary to, the role played by ambassadors. While ambassadors address the informational and relational barriers that inhibit firms from identifying buyers and enforcing commitments, ECAs target the financial vulnerabilities that arise once a potential export transaction is underway. These government-backed institutions provide loans, guarantees, and insurance that enable firms to operate in markets where private finance and political risk insurance are scarce, prohibitively expensive, or altogether unavailable (Peterson and Downie, 2024; Turguttopbas, 2013). By underwriting commercial and political risks, ECAs make it feasible for firms to pursue deals that would otherwise be financially untenable (Oramah and Dzene, 2025; Klasen et al., 2022; Matray et al., 2024).

At their core, ECAs are designed to mitigate precisely those risks that private markets cannot or will not bear (Blackmon 2017; Hopewell 2016). Their primary mission is to facilitate and promote exports from their home countries, thereby supporting employment and domestic economic activity. In many sectors, particularly those involving high-risk markets, private insurers simply do not offer meaningful coverage. In these environments, ECAs step in to extend insurance and credit products that allow exporters to access opportunities that would otherwise remain closed to them (Blackmon 2014, 2016). In this sense, ECAs operate as the financial arm of the state's export promotion apparatus.

ECAs support exporters through several financial instruments. One of the most widely used is export credit insurance, which protects firms against the risk of non-payment by foreign buyers. Such insurance ensures that exporters are compensated even if a buyer defaults, thereby safeguarding firms' revenue streams and enabling them to pursue opportunities in uncertain markets with greater confidence.

A second instrument is working capital loans, which supply exporters with the liquidity needed to manage cash flow during the often lengthy interval between shipment and final payment. These loans help firms avoid liquidity shortfalls that might otherwise interrupt production or force them to forgo profitable contracts.

ECAs also provide guarantees, which assure commercial banks that loans extended to exporters or foreign buyers will be repaid. These guarantees reduce banks' financial exposure, prompting them to extend credit to transactions that might otherwise be deemed excessively risky. In this way, ECAs mobilize private capital to support international trade, effectively leveraging the state's credibility to lower financing constraints for firms.

Finally, ECAs offer direct loans to support large-scale infrastructure or development

projects abroad with significant export components (Bunte 2019). These direct loans are essential for financing complex and capital-intensive projects that private financial institutions may be unwilling or unable to support on their own. By taking on a portion of the financial risk, ECAs enable domestic firms to participate in ventures that generate substantial export revenues and deepen economic ties with foreign markets.

Together, these instruments illustrate how ECAs help stabilizing revenue streams, easing liquidity constraints, and facilitating access to private credit. By doing so, they address financial vulnerabilities that neither trade agreements nor private markets are capable of resolving. Consequently, ECAs complement the informational and enforcement functions performed by ambassadors, forming the second pillar of the state's support for firms operating in global markets.

2 Firms' Strategic Adjustment to Disruptions in State-Provided Information

2.1 Vacancies as Informational Shocks

Ambassadors occupy a uniquely powerful position within the foreign policy apparatus. They function as the central coordinators of a country's diplomatic engagement, overseeing the operational, political, and commercial work of the embassy (Hollibaugh 2015; Malone 2013). In practice, they operate much like the "CEOs" of their missions (MacDonald, 2021; Clark, Dolan, and Jost, 2025; Arias and Smith, 2018; Lindsey, Malis, and Thrall, 2025): they set priorities, direct staff time, allocate scarce informational resources, and—perhaps most importantly—serve as the final point of accountability for cultivating relationships with foreign elites. Their personal access, authority, and convening power cannot easily be replicated by chargé d'affaires, section chiefs, or locally hired staff (Ahmed and Slaski, 2023). When an ambassador is absent, the embassy does not simply shrink; it loses its focal point of political coordination, relational capacity, and strategic initiative.

This creates a distinct type of shock for firms: a sudden withdrawal of the informational, relational, and political services that ambassadors provide in normal times. Three features of this shock are especially consequential for exporters.

The first is the loss of matchmaking capacity. Ambassadors are deeply involved in connecting domestic firms to trustworthy foreign buyers, brokers, and government counterparts. Their relationships, built through repeated high-level engagement, reduce search frictions

and help firms avoid unreliable partners. When no ambassador is present, curated introductions dry up and firms face higher risk regarding the reliability of potential buyers. As a result, the relative value of EXIM's products rises. Firms increasingly turn toward short-term insurance and working-capital guarantees, which offer rapid, light-touch risk mitigation and help them manage uncertainty in markets where they can no longer rely on the embassy for tailored guidance or introductions.

The second consequence is the loss of informal enforcement. Ambassadors frequently serve as behind-the-scenes mediators, leaning on their political access to resolve disputes before they escalate into costly litigation (Gertz, 2018; Kim and Fu, 2025; Malis, 2021). Their presence raises the expected recoverability of claims and enhances the credibility of foreign buyers and officials who know that the U.S. government is paying attention to the transaction. Vacancies remove this informal enforcement layer. Without an ambassador's intervention capacity, exporters face a higher probability of non-payment, delays, or bureaucratic obstruction. This pushes firms toward financial instruments that "harden" contracts—most prominently EXIM's insurance and guarantee products. These instruments substitute for the political backing that ambassadors ordinarily provide, shifting enforcement from informal assurances to formal, contractually enforceable risk coverage.

A third effect concerns political advocacy. In normal times, ambassadors engage in active recommendation vis-à-vis EXIM, shaping firms' expectations about which types of projects the bank may be willing to support. Vacancies remove this possibility of political support. Without an ambassador pressing strategic cases or contextualizing local conditions, firms anticipate that borderline or politically salient deals will be harder to finance. Expecting EXIM to be more conservative in the absence of diplomatic backing—even if EXIM's formal underwriting standards remain unchanged—only firms with more routine, less controversial products will apply for support. Thus while the level of demand for EXIM support increases overall, the composition of that demand changes in predictable ways.

Taken together, these effects show that ambassadorial vacancies function as informational shocks that reshape firms' export strategies. They remove the state-provided search, screening, mediation, and advocacy services upon which firms—especially those without extensive international experience—depend. In response, firms reallocate toward the financial instruments offered by ECAs, particularly those that compensate for heightened informational and enforcement risk. This logic can be summarized as follows:

	Matchmaking	Enforcement	Finance
Role of Ambassador	introductions to potential buyers, intelligence	informal dispute mediation	political advocacy for risky or sensitive projects
Effect of Vacancy	uncertainty regarding reliability of partners	more risk in case of conflict	no diplomatic push
Firm response	higher demand for short-term EXIM insurance and guarantees	higher demand for contractual agreements	shift toward routine products; fewer sensitive loans

Vacancies thus do not change EXIM's behavior; they change firms' needs. By raising informational and enforcement risks, vacancies increase the relative attractiveness of ECA products and induce firms to rebalance the mix of state support on which they rely.

2.2 How Firms Reallocate Toward EXIM During Vacancies

Under normal conditions, not all exporters seek support from the Export–Import Bank. Even though EXIM offers valuable insurance, guarantees, and working-capital products, firms face meaningful participation thresholds.[2] Applications require documentation, financial disclosure, time, and fees, and transactions must satisfy additional rules. For many firms, especially those with established partners or access to private trade finance, these fixed and relational costs can outweigh the benefits of applying. When ambassadors are present, their matchmaking, informal enforcement, and political signaling functions further reduce the need for EXIM coverage: firms often clear deals using a combination of diplomatic reassurance, private credit, and existing commercial relationships.

Vacancies disrupt this equilibrium by raising firms' expected losses and removing the informal assurances that ambassadors usually provide. In a simple expected-value framework, an exporter compares: (i) the expected margin of a deal; (ii) the expected loss from non-payment, disputes, or opportunism; and (iii) the costs of applying for EXIM support. Ambassadorial facilitation reduces search and due-diligence frictions, while ambassadorial advocacy increases firms' expectations that borderline or politically relevant projects may still receive support. Their informal enforcement role lowers the perceived probability of default or strategic behavior by buyers. Together, these channels enable some firms—especially those operating in moderately risky environments—to export without relying on formal ECA backing.

When an ambassadorial post becomes vacant, firms lose these informational and enforcement benefits. The expected loss term rises because informal enforcement collapses, the perceived probability of dispute or non-payment increases, and screening foreign partners becomes more difficult. At the same time, the loss of facilitation and advocacy removes two mechanisms that previously lowered the operational costs of exporting. As a result, more firms cross the threshold at which EXIM support becomes worthwhile. Even if application costs remain the same, the relative value of EXIM's coverage increases.

Crucially, this is a demand-side response driven by firms—not exclusively a supply-side

[2] An example of these requirements is available on the EXIM website, https://www.exim.gov/resources/applications-forms/applying

shift by EXIM. Vacancies do not necessarily make EXIM more risk tolerant. Indeed, as we show, the empirical evidence shows no change in EXIM's risk ratings, and no increase in the average size of loans. This suggests that firms are likely experiencing greater uncertainty in the absence of an ambassador, and thus demanding short-term products such as export credit insurance or working-capital support. These tools help firms manage heightened informational and enforcement risk without requiring the elaborate structuring associated with large project loans.

In effect, ambassadorial vacancies publicly signal a temporary drop in diplomatic services. Exporters then re-optimize their risk management strategies. Even though EXIM's decision rules remain constant, more firms find it valuable to seek its support. The observed increase in EXIM approvals during vacancies is thus best understood as the aggregate footprint of firms' reallocation toward state-backed financial instruments when a key source of informational and relational support goes quiet.

In sum, our firm-centered theory generates clear empirical expectation. In normal times, ambassadors and ECAs operate as complementary pillars of export support: the former reduce informational and enforcement risks, while the latter underwrite financial exposure. When an ambassadorial post becomes vacant, firms lose access to key embassy services—matchmaking, informal enforcement, and political advocacy—which sharply raises the relative value of EXIM's financial instruments. Firms therefore substitute toward ECA support. Because EXIM's screening standards, country risk ratings, and approval procedures remain unchanged during vacancies, any increase in EXIM activity reflects firms' reallocation across state-provided services rather than a shift in EXIM's own behavior. This logic yields a straightforward hypothesis: *Ambassadorial vacancies increase the likelihood of ECA support.*

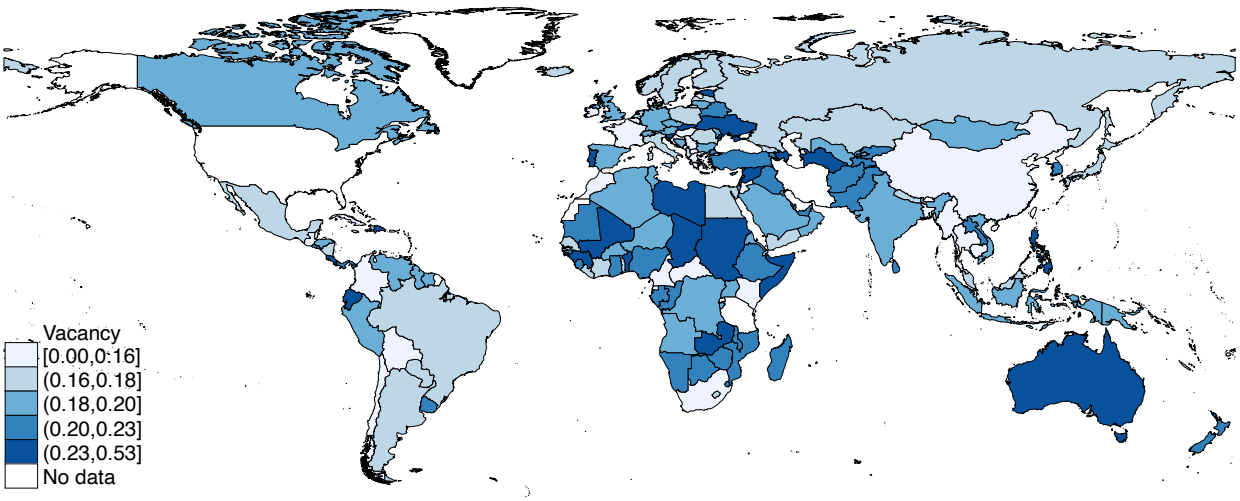
3 Research design

3.1 Data and sample

Ambassadors. We follow recent scholarship that uses ambassadorial vacancies to measure a diminution of U.S. diplomatic influence (Kim and Fu, 2025; Gertz, 2018; Malis, 2021). We update information on ambassador tenure (e.g., start and exit date) and personal characteristics (e.g., gender, age) from (Arias and Smith, 2018) through 2019 and transform this annual-level data to construct a country-year-month panel dataset. We restrict our analysis to countries (and relevant time periods) that are diplomatically recognized by the United

States.[3] In the main sample, our ambassador data comprises 1,339 unique diplomats (many who served in multiple countries during their diplomatic careers) across approximately 190 countries, covering every calendar month from 1990 to 2019. We identify a vacancy period as the month(s) when one ambassador departs from her country embassy and another is formally sworn in.

Figure 1: *Incidence of an ambassadorial vacancy, country average*



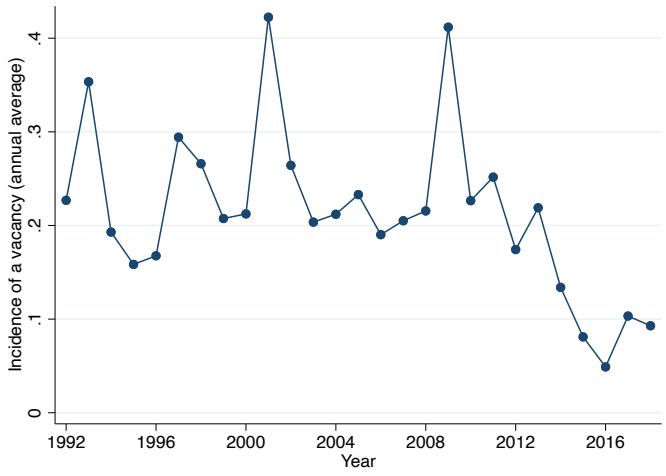
U.S. ambassadorial vacancies exhibit intriguing cross-national and temporal patterns. Figure 1 plots the average incidence of a vacancy across territories diplomatically recognized by the United States. Vacancies occur around 21 percent of the time, with significant geographic variation. For example, American embassies in Africa and Asia are more likely to experience an ambassadorial vacancy relative to their counterparts in Europe. Unsurprisingly, vacancies occur less frequently in countries that are important to the United States (e.g., Brazil, China, Russia).

Across time, vacancies exhibit several trends. First, vacancies seem to exhibit a "cycle" associated with the timing (years) of U.S. presidential elections (see Figure 2). In particular, there is a significant uptick in ambassadorial turnover when a new presidential administration begins (e.g., in 2009 from George W. Bush to Barack Obama). Second, Figure 2 also shows that vacancies tend to occur less frequently after 2014. Finally, within each calendar year, the average monthly probability of a vacancy declines as the year progresses (see Figure A3 in the Appendix). As we elaborate below, we account for these temporal patterns by

[3]For example, we include observations from Afghanistan from April 2002 onwards, but not before. Prior to April 2002, the United States did not have official diplomatic relations with Afghanistan.

controlling for month x year fixed effects in our baseline specifications.

Figure 2: *Incidence of vacancies, annual average*



EXIM support. To evaluate our paper's central hypothesis, we focus on the incidence of EXIM support decisions. We code this as a binary variable, EXIM_{cmy}, which is equal to 1 if the EXIM Bank approves support (either a loan, guarantee, insurance, or working capital) for country c in month m and year y. We illustrate the variation of EXIM support across two dimensions. First, we aggregate EXIM decisions to the country level and map each country's cumulative total of approvals over our sample period. Figure 3 shows that the EXIM Bank has approved around 100 deals for most countries. However, several countries—regional neighbors (e.g., Canada, the Dominican Republic, Mexico), major trading partners (e.g., Great Britain, South Korea), and resource-rich countries (e.g., Brazil, Russia, Saudi Arabia)—have received more support. Second, there is significant annual variation in EXIM support. Figure 4 shows that in any given year, around 25-30 percent of the countries in our sample receive EXIM support.[4] While this significant geographic and temporal variation is advantageous in allowing us to estimate more statistically precise results, we are careful to control for important cross-national and temporal factors in our regression analysis.

[4]The decline in approved EXIM support toward the end of the period covered in our sample may be attributed to the controversy sparked by the Tea Party, which launched a public campaign against 'corporate subsidies.' For a detailed account of this period, see Hopewell (2017). It is important to note that our time frame does overlap with the brief period during which the U.S. EXIM Bank's board lacked a quorum due to the absence of appointments by President Trump. During that time, the board was unable to make decisions on transactions exceeding $10 million, though transactions below that threshold — which constitute the large majority of deals —continued to be approved.

Figure 3: *Cumulative number of EXIM decisions, by country*

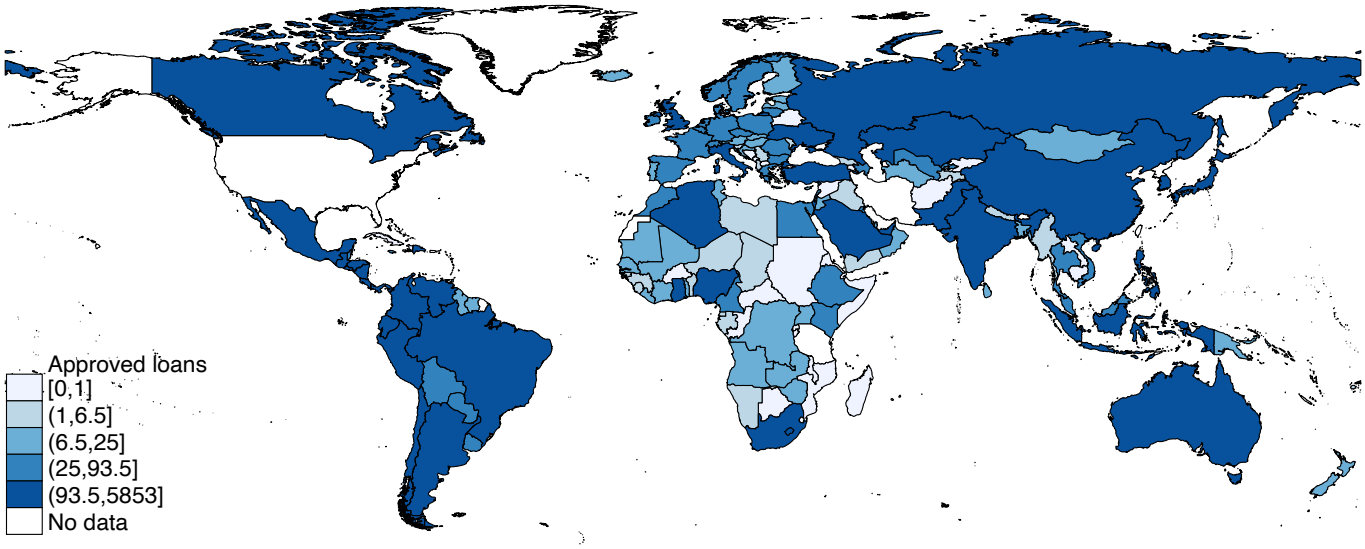
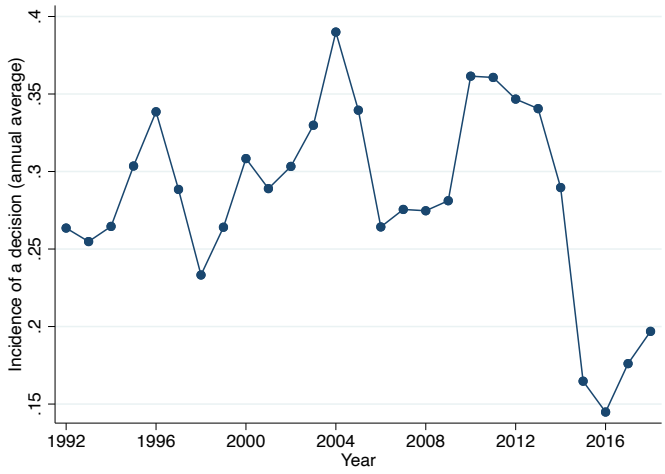


Figure 4: *Annual average incidence of EXIM decisions*



3.2 Model specification

To gauge the effect of an ambassadorial vacancy on the probability of EXIM support, we estimate variants of the following three-way fixed effects regression:

$$EXIM_{cmy} = \alpha + \beta \text{Vacancy}_{cmy} + \theta X_{cy} + \eta_c + \eta_{my} + \epsilon_{cmy} \tag{1}$$

where EXIM_{cmy} is a dummy variable equal to 1 if EXIM approves support between an American firm and its foreign counterpart in country c in month m and year y, and zero otherwise. In equation 1, Vacancy_{cmy} is equal to 1 if there is an ambassadorial vacancy in country c in month m and year y, and zero otherwise. Thus, our primary variable of interest

is β, which gauges the average reduced-form impact of vacancies of U.S. ambassadors on countries experiencing a vacancy. If vacancies raise the prospect of EXIM support, we expect the coefficient on β to be positive.

On the right-hand side, η_c and η_{my} are fixed effects for each country (c) and each calendar month-year combination (e.g., a fixed effect for January 1990, February 1990, March 1990, etc...) respectively. The vector η_c accounts for all time-invariant country characteristics that might affect EXIM's likelihood of approving assistance to country c, such as its geography (e.g., proximity, landlocked status, and/or size, which could represent more lucrative markets for American firms), resource endowments (e.g., commodity exporters), and colonial relationships (e.g., former British colonies). Notably, we control for 372 unique month-year fixed effects (i.e., for each month from 1990 to 2020) which allows us to flexibly account for all common shocks that vary for each calendar month in every year, such as monthly movements in US interest rates, the elevated propensity of diplomatic turnover around Presidential elections (Ahmed and Slaski, 2023), as well as the "cycles" described in the previous section (associated with Figures 2, 4, and A3).

Finally, we include a parsimonious set of time-varying country-level controls (X_{cy}) that may influence both EXIM's lending decisions and the likelihood of ambassadorial vacancies. Specifically, we control for a partner country's per capita GDP (World Bank, 2023), its institutional quality using V-DEM's democracy measure (Coppedge et al., 2021), and whether it is party to a bilateral investment treaty or free trade agreement with the United States. These variables capture conditions that plausibly shape both the need for, and the allocation of, ECA support. Wealthier countries, those with stronger institutions, or those embedded in trade and investment agreements typically pose lower commercial and political risks and may require less ECA involvement, while markets with weaker rule of law or more frequent contractual breaches may necessitate greater engagement. By accounting for economic development, institutional environment, and international economic agreements, we reduce the concern that our results are driven by underlying country characteristics rather than the informational shock created by ambassadorial vacancies.

4 Main Findings

4.1 Baseline estimates

Table 2 presents our main results. In a sparse specification that accounts only for country and month x year fixed effects, the departure of an ambassador increases the probability of EXIM

Table 1: *The probability of EXIM support during an ambassadorial vacancy*

	Incidence of support		
	(1)	(2)	(3)
Vacancy	0.067	0.073	0.074
	(0.028)**	(0.030)**	(0.030)**
Log GDP per capita		-0.194	-0.187
		(0.192)	(0.190)
Democracy (V-DEM)		0.303	0.257
		(0.472)	(0.463)
BIT member			-0.247
			(0.165)
FTA member			0.039
			(0.113)
Country FE	Yes	Yes	Yes
Year × Month FE	Yes	Yes	Yes
No. observations	49,075	43,970	43,970
No. countries	155	139	139
Pseudo-R^2	0.32	0.32	0.32

Notes: Estimation via probit. Robust standard errors clustered by country in parentheses. *, **, *** indicate significance at the 10, 5, and 1 percent levels, respectively. All specifications include country and month × year fixed effects. Coefficients for fixed effects and constants are omitted.

support (column 1). This "vacancy effect" increases in magnitude, precision (i.e., smaller standard error), and statistical significance when controlling for a country's per capita GDP and democracy score (column 2). The estimated coefficient (=0.073) implies, that relative to the baseline rate, the EXIM bank is 10 percent more likely to extend support during an ambassadorial vacancy. The controls are informative: while the EXIM Bank may be less prone to grant support to wealthier countries and those with more democratic politics, the associated coefficients are not statistically significant.

Cognizant that bilateral economic agreements may facilitate foreign commerce – independently of domestic bureaucratic initiatives – in column 3, we control for whether a country is in an active bilateral investment treaty (BIT) and/or free trade agreement (FTA) with the United States. The vacancy effect remains robust and nearly identical in magnitude and statistical precision to the effect in column 2. Surprisingly, neither membership in a BIT nor an FTA seems to affect EXIM's decision to extend assistance.

In addition to the baseline estimates, we examine whether the positive vacancy effect is robust to outliers and holds with alternate estimators and additional controls.[5] For instance, it holds in specifications that drop decisions from each calendar year (one-by-one), those

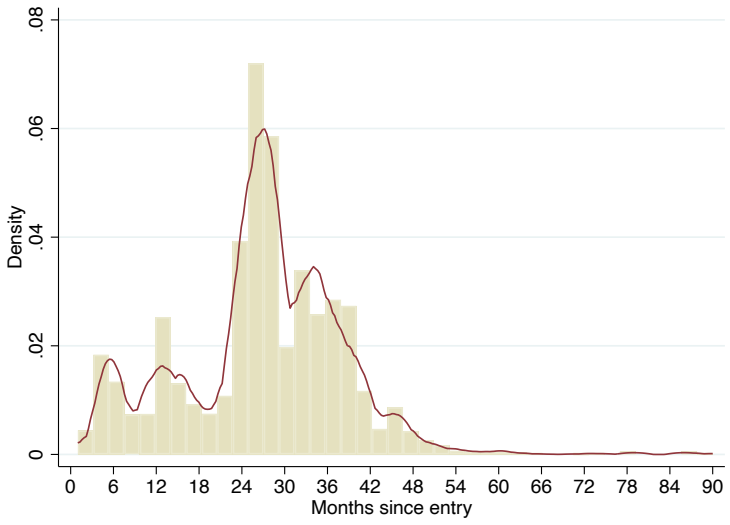
[5]Results reported in Tables B1 and B2.

that omit the top and bottom decile of countries based on their frequency (incidence) of experiencing an ambassadorial vacancy and propensity to receive assistance (e.g., dropping countries that receive significant EXIM support, such as Mexico), and samples that drop countries to which the EXIM Bank rarely extends support. Our findings are not contingent on our choice of estimator, as the vacancy effect holds when estimated using both logistic regression and OLS.

4.2 Endogenous selection

Although equation (1) accounts for country-specific time invariant factors (α_c) and time-specific country-invariant conditions (α_{my}) that can affect EXIM support decisions, it is plausible that our coefficient of interest, β may be biased due to factors that vary simultaneously by country and time period. One concern is endogenous selection: vacancies may be more likely when conditions in the partner country deteriorate (e.g., an economic crisis) and/or may be correlated with ambassadorial and recipient country characteristics. To address this concern with (potential) endogenous selection, we follow Malis (2021) to isolate the variation in ambassadorial turnovers that arises from the routinized rotation system among US foreign service officers.[6]

Figure 5: *Incidence of vacancy after months in post*



Identification strategy. The Rogers Act of 1924 introduced a regular rotation of US

[6]Our instrument differs from that employed in Malis (2021), as we exploit the number of *months* (rather than years) since an ambassadors enters her post.

foreign service officers between postings at foreign missions (embassies) and back home at the State Department headquarters.[7] In practice, over the next 70 years, this converged to a standardized appointment system for both career and noncareer ambassadors in which diplomats (overwhelming) leave their post 2 to 3 years (i.e., between their 24^{th} and 36^{th} months) after *entering* (Jett, 2014). Although ambassadors may sometimes hold office for a longer or shorter period, the data show that this rotation cycle is strongly adhered to. Figure 5 graphs the distribution of the number of months after entering their post that ambassadors vacate their office. About 12 percent of ambassadors leave within 12 months of their start date. Another 12 percent of ambassadors vacate their posts in the next year (13 to 24 months after their start date). Over the next 12 months – that is, 24 to 36 after their initial month of entry – the rate of ambassadorial departures jumps significantly, whereby around 50 precent of all ambassadorships end during this period. We exploit the variation in Figure 5 to construct an instrumental variable, $Enter_{cmy}$ (described below) for the incidence of an ambassadorial vacancy based on when an ambassador initially enters her post, and estimate variations of the following two-stage instrumental variable probit (IV probit) specification:

$$(2a) : Vacancy_{cmy} = a_y + a_c + bEnter_{cmy} + X_{cmy}f + e_{cmy}$$
$$(2b) : EXIM_{cmy} = \alpha_y + \alpha_c + \beta Vacancy_{cmy} + X_{cmy}\theta + \epsilon_{cmy}$$

Equation (2a) shows the first stage regression. It regresses the incidence of a US ambassadorial vacancy to country c in month m and year y (i.e., $Vacancy_{cmy}$) on a vector of country and month-year fixed effects and time-varying country characteristics (e.g., log per capita of country c). These controls were discussed in the preceding section. Notably, $Enter_{cmy}$ is our instrumental variable which is equal to 1 if the current ambassador *entered* her post in the previous to 24 to 36 (i.e., corresponding to the rotation cycle), and zero otherwise. Thus, the value of $Enter_{cmy}$ is unique to each ambassadorial posting and is measured according to each ambassador's month of entry to her current country posting. The instrument therefore varies across countries, months, and years. Our key identifying assumption is that the value of $Enter_{cmy}$ is plausibly exogenous to contemporaneous conditions in the financing environment in country c (and other contemporaneous conditions, such as the nature of bilateral political relations). Given the elevated propensity of observing an ambassadorial vacancy between the 24^{th} and 36^{th} months after the start date (month) of a current ambassador's term, we expect b to be positive in equation (2a). We use predicted values from equation (2a) to explain variation in incidence of EXIM support in the second stage regression given

[7] Visit: https://history.state.gov/departmenthistory/short-history/rogers.

by equation (2b). The first stage is estimated using OLS and the second via probit. The regressions are estimated jointly.

Exclusion restriction. While $Enter_{cmy}$ varies according to each individual's ambassador's month of entry and is therefore plausibly exogenous to US trade with any particular country c, it is possible that other factors associated with an ambassador's tenure (exit) may contaminate our identification strategy. One possibility is the elevated propensity of ambassadorial turnovers around U.S. Presidential elections (Jett, 2014; Ahmed and Slaski, 2023). In particular, the election of a new President often leads to the resignation of ambassadors, especially those with ties to the outgoing President. The departure of these politically appointed (noncareer) diplomats often lead to the selection of a new set of politically appointed ambassadors by the newly inaugurated President. While the expected effects of these Presidential transitions and ambassadorial turnovers on bilateral trade are unclear ex-ante, we account for these possible effects in a flexible manner in our 2SLS specifications. Specifically, in equations (2a) and (2b), we control for whether the departing ambassador is a politically appointee (noncareer) and its interaction with a dummy variable for a presidential election year (e.g., 2000, 2004, 2008, etc.).

Instrumental variable estimates. Table 2 replicates our baseline specifications (from Table 1) using our instrumental variable. The second stage estimates in panel B are strikingly similar - both in coefficient size and statistical precision (standard error) to the corresponding effects in Table 1 (columns 1-3). In column 4a, we report the (instrumented) vacancy effect in a specification that controls for potential violations of the exclusion restriction, such as the possible elevated incidence of vacancies from the departure of politically appointed ambassadors, especially in election years (the latter, measured with by interacting political appointee with Presidential election year). The vacancy effect (=0.067) remains statistically significant.

We also report the corresponding first stage regression which shows that ambassadors that entered their post 24 to 36 months ago are more likely to vacate their posts. Across all the specifications (columns 1b-4b), the instrument is very "strong" with F-statistics that vastly exceed the threshold of 10 for "weak instruments." To reassure our inferences for the first stage regression, we also verified that the instrument is strong for the departure (vacancy onset) of politically appointed and career ambassadors, *separately*.[8]

[8]For a sample of career diplomats, the coefficient on *Enter* is 0.918 with a standard error of 0.006 (p-

Table 2: *The probability of EXIM support during an ambassadorial vacancy*

Second stage:	Incidence of support			
	(1a)	(2a)	(3a)	(4a)
Vacancy	0.069	0.071	0.073	0.067
	(0.032)**	(0.033)**	(0.032)**	(0.033)**
Political appointee				0.029
				(0.031)
Pol. app × New President				0.089
				(0.057)
First stage:	Vacancy			
	(1b)	(2b)	(3b)	(4b)
Enter	0.876	0.889	0.889	0.876
	(0.002)***	(0.002)***	(0.002)***	(0.003)***
F-statistic	1.4×10^5	1.4×10^5	1.4×10^5	1.2×10^5
	In each panel			
No. observations	49,075	43,970	43,970	43,863
No. countries	155	139	139	139
Country FE	Yes	Yes	Yes	Yes
Year × Month FE	Yes	Yes	Yes	Yes
Country characteristics		Yes	Yes	Yes
Membership in BIT, FTA			Yes	Yes

Notes: Estimation via IV probit. Robust standard errors clustered by country in parentheses. *, **, *** indicate significance at the 10, 5, and 1 percent levels, respectively. Panel A reports the effect of instrumented vacancies on the probability of EXIM support. Panel B reports the first-stage regression corresponding to Panel A. All specifications include country and month × year fixed effects. Columns 2–4 control for country characteristics: GDP per capita and V-DEM democracy score. Columns 3–4 additionally control for whether a country is party to a U.S. FTA or BIT. Coefficients for controls and the constant are not reported.

5 Evaluating channels

According to our theory, probing channels implies studying equilibrium behavior that occurs during a vacancy: either firms change their behavior (e.g., *demand* financing from the EXIM bank) and/or EXIM adjusts its behavior (e.g., EXIM adjusts its standards to *supply* additional financing). To evaluate the former – i.e., a change in the demand for loans – we would require information on the total volume of loan applications by firms; unfortunately, this information is unavailable (we only have information on approved loans by EXIM). However, we do have information on factors that plausibly influence the EXIM bank's loan

value=0.00). The corresponding F-statistic is 20115.44. For a sample of political appointed ambassadors, the coefficient on *Enter* is 0.704 with a standard error of 0.030 (p-value=0.00) . The corresponding F-statistic is 563.23.

decisions, such as EXIM's internal assessments of country risk. Thus, we proceed by examining whether the EXIM bank modifies its supply the loans changes during a vacancy (i.e., whether EXIM changes its standards). If EXIM does not change its standards, we can plausibly infer that firms are changing their behavior most likely by increasing the number of requests for support during an ambassadorial vacancy.[9]

5.1 EXIM behavior

Does EXIM become more lenient? A core premise of our argument is that ambassadorial vacancies trigger a demand-side shift in firms' behavior, not a change in EXIM's internal risk tolerance. Vacancies remove embassy-provided matchmaking, informal enforcement, and political advocacy, but they do not alter EXIM's screening standards and risk assessments. If the mechanism operates as we claim—through firms reallocating toward EXIM when diplomatic information disappears—then EXIM's own evaluation of country risk should remain unaffected. Put differently: vacancies may change which firms seek coverage, but they should not cause EXIM to systematically relax or tighten its standards.

If this logic is correct, ambassadorial vacancies should have no discernible effect on EXIM's internal country risk assessments. EXIM's Country Limitation Schedule (CLS)—its primary tool for gauging commercial and political risk abroad—should remain stable across vacancy and non-vacancy periods. To evaluate this implication, we compile original monthly data on EXIM's Country Limitation Schedules (CLS), which define whether and under what terms EXIM is willing to provide support to public- or private-sector buyers across short-, medium-, and long-term horizons. These schedules—updated three to five times per year—serve as EXIM's internal risk guide and summarize the political and commercial environment in each country. Using historical PDFs obtained from EXIM's website and FOIA disclosures, we code coverage and restrictions across all terms and sectors for every country-month in our sample. We then construct a normalized index (0–1) capturing how comprehensive EXIM's support is for each country: higher values correspond to broader coverage and hence lower perceived risk. This index allows us to test whether country risk assessments shift during vacancies, and whether omitting commercial risk could bias our main results.[10]

Table 3 reports the results. Column 1 shows that ambassadorial vacancies do not affect CLS ratings—supporting the view that diplomatic disruptions do not induce EXIM

[9]This approach is common in applied (empirical) microeconomics in studying equilibrium behavior: either demand is held fixed (constant) and supply behavior is varied or supply is held fixed and demand behavior is varied. In our setting, we employ the former approach.

[10]More information on how we collected and coded these data are available in the Online Appendix E.

to update its assessment of commercial or political risk. Instead, CLS ratings move predictably with observable country characteristics: wealthier, more democratic countries and those in bilateral investment treaties with the United States receive more favorable (higher) CLS scores, consistent with prior findings in the literature (Jensen, 2008; Lee and Johnston, 2016; Moehlecke and Wellhausen, 2022).

Columns 2 and 3 incorporate CLS ratings into our main specification. The vacancy effect remains positive, statistically significant, and even slightly larger in magnitude than in the benchmark model. EXIM is less likely to support riskier countries (as indicated by the negative coefficient on CLS), but critically, the interaction between vacancies and CLS is insignificant. This indicates that country riskiness does not mediate the vacancy effect. Taken together, these results reinforce our central claim: the increase in EXIM support during ambassadorial vacancies is driven by firms reallocating their risk-management strategies—not by shifts in EXIM's perceived country risk or any change in the bank's screening behavior.

Table 3: *Accounting for the role of commercial risk*

	CLS rating	Incidence of support	
Estimator	OLS	Probit	IV Probit
	(1)	(2)	(3)
Vacancy	-0.004	0.088	0.098
	(0.004)	(0.036)**	(0.047)**
CLS rating		-1.228	-1.225
		(0.232)***	(0.064)***
Vacancy × CLS rating		-0.106	-0.120
		(0.123)	(0.110)
Log GDP per capita	-0.281	-0.483	-0.484
	(0.056)***	(0.193)**	(0.058)***
Democracy	-0.244	0.066	0.067
	(0.098)**	(0.394)	(0.131)
BIT member	-0.130	-0.388	-0.388
	(0.047)***	(0.149)**	(0.056)***
FTA member	0.045	0.067	0.068
	(0.035)	(0.113)	(0.045)
Country FE	Yes	Yes	Yes
Month × Year FE	Yes	Yes	Yes
No. observations	51,996	42,285	42,285
No. countries	153	133	133
R^2	0.72	0.33	
Log pseudolikelihood		-12042.94	-13006.81

Notes: Robust standard errors clustered by recipient in parentheses. *, **, *** indicate significance at the 10, 5, and 1 percent levels, respectively. All specifications include country and month × year fixed effects

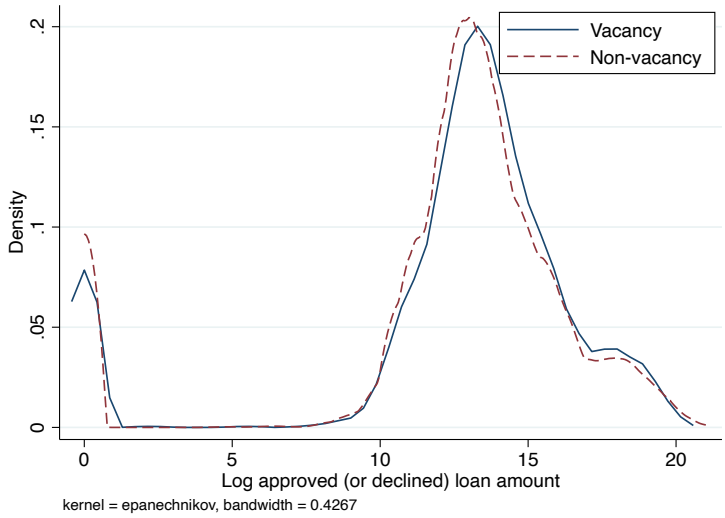
(coefficients not reported). In column 2, R^2 refers to pseudo-R^2. In columns 2 and 3, the dependent variable is the incidence of EXIM (=1) or not (0).

Does EXIM become more generous? A further implication of our assumption that vacancies affect firms—rather than altering EXIM's own standards—is that EXIM's screening thresholds and financing decisions should remain stable even as more firms seek support. Ideally, we would directly test whether EXIM receives more applications during vacancies, but such data are not available. Instead, we evaluate this indirectly. Our main finding shows that the likelihood of EXIM support increases during vacancies. If the average dollar amount of approved transactions remains constant, then the increase in approvals must reflect greater firm demand—i.e., more firms applying—rather than EXIM approving larger or more ambitious projects.

If our argument is correct, transaction size should be unaffected by vacancies. Any increase in approvals should reflect the entry of marginal firms pursuing smaller, standardized deals—not an expansion in the financial scale of EXIM's commitments. To assess this claim, we examine the distribution of dollar amounts associated with approved transactions and evaluate whether the composition of deals shifts toward countries with different levels of commercial or political risk. Risk conditions are measured using monthly country-level indicators from Political Risk Services, including contractual viability, payment delays, and composite risk scores. This allows us to determine whether vacancies coincide with systematically larger or riskier projects.

The data provide no evidence that ambassadorial vacancies alter the scale or risk profile of EXIM transactions. As shown in Figure 6, the distribution of approved dollar amounts during vacancies is nearly identical to that observed during non-vacancy periods. In Appendix C, Table C1 reports formal t-tests comparing mean dollar amounts and various country-risk indicators; in every case, group means are statistically indistinguishable across vacancy and non-vacancy periods. These results reinforce our core argument: vacancies increase the number of approved transactions by drawing in additional firms, but they do not push EXIM toward larger, more complex, or more politically sensitive deals.

Figure 6: *Distribution of dollar amounts (US $) approved during an ambassadorial vacancy and non-vacancy period*



5.2 Discounting alternate channels

Ambassador type. Our theory treats ambassadorial vacancies as structural informational shocks that operate through the temporary absence of diplomatic services, not through the individual characteristics or competencies of the ambassador who previously held the post. If this mechanism is correct, then vacancy effects should not vary depending on whether the departing ambassador was a career diplomat—typically viewed as more professionally experienced—or a political appointee. What matters is the absence of embassy services, not who previously provided them.

If our argument is correct, then vacancy effects should be uniform across posts held by career and politically appointed ambassadors. To evaluate this implication, we classify each departing ambassador as either a career Foreign Service Officer or a political appointee, following Scoville (2019). We then modify our main specifications to include an interaction between vacancy status and ambassador type (career $\times$ vacancy), which allows us to assess whether the magnitude of the vacancy effect depends on prior ambassador characteristics. Table 4 reports our analysis.

Table 4: *The probability of EXIM support during an ambassadorial vacancy – Evaluating political characteristics*

	Incidence of support			
Estimator:	Probit	Probit	IV Probit	IV Probit
	(1)	(2)	(3)	(4)
Vacancy	0.062	0.068	0.066	0.068
	(0.030)**	(0.032)**	(0.038)*	(0.038)*
Vacancy x Pol. app	0.034		0.034	
	(0.076)		(0.054)	
Vacancy x New President		0.031		0.031
		(0.079)		(0.065)
Political appointee	0.035		0.035	
	(0.032)		(0.032)	
New President		-0.452		-0.452
		(0.189)**		(0.219)**
Controls	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Month x Year FE	Yes	Yes	Yes	Yes
No. observations	43,863	43,985	43,863	43,985
No. countries	139	139	139	139
Pseudo-R^2	0.32	0.32		
Log likelihood	-12557.48	-12571.80	-9474.06	-14608.28

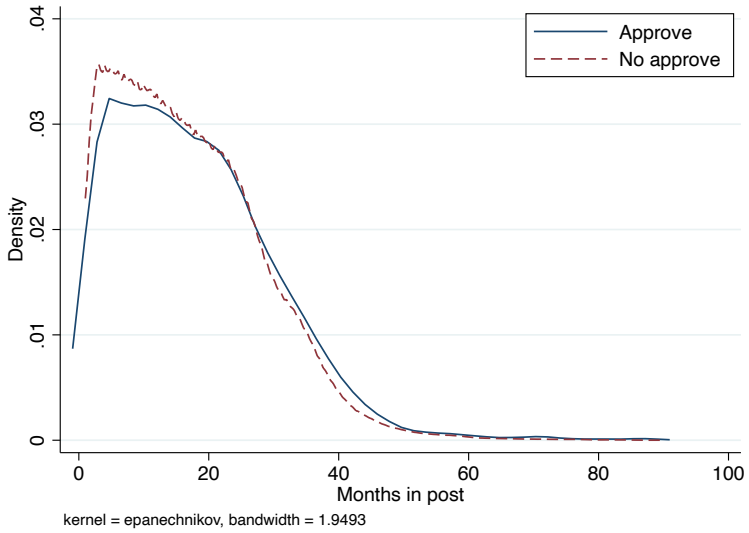
Notes: Estimation via probit in columns 1 and 2. Estimation via IV probit in columns 3 and 4. Standard errors, clustered at the country level in reported in parentheses. *, **, *** = significant at 10, 5, and 1 percent respectively. Political appointee is a binary variable equal to 1 if the (departing) ambassador is a political appointee and zero otherwise. New President is a binary variable equal to 1 in the first year of a new President's term and zero otherwise.vEvery specification controls for the following: log GDP per capita (2015 US$), V-DEM democracy score (0 to 1), membership in a BIT and FTA, fixed effects for country and month x year. These coefficients and a constant are not reported.

Consistent with our theory, the interaction term is statistically indistinguishable from zero, while the main vacancy effect remains positive and significant. This indicates that the increase in EXIM support during vacancies is not driven by differences in ambassadorial professionalism or capacity—reinforcing the view that the mechanism operates through the structural absence of diplomatic services rather than the quality of the specific ambassador.

Ambassador tenure. If ambassadorial vacancies operate as structural informational shocks, as our argument proposes, then their effect should not depend on how long the previous ambassador had served in the post. A long-tenured ambassador may be more experienced or better networked, but once the position becomes vacant, firms lose embassy services entirely. Thus, the size of the shock should be invariant to tenure.

If our mechanism is correct, vacancy effects should not differ depending on ambassadorial tenure. To evaluate this possibility, we measure ambassadorial tenure as the number of months an ambassador has served in her post at the time of a potential EXIM decision. We first examine the raw distribution of EXIM approvals and non-approvals across the range of tenure lengths (Figure 7). We then estimate regressions in which EXIM approval is predicted by ambassadorial tenure (*duration*), controlling for our full set of covariates and fixed effects (Table 5, columns 1 and 2). Finally, we reverse the relationship and test whether EXIM decisions themselves affect ambassadorial tenure (columns 3 and 4), which would raise concerns about reverse causality.

Figure 7: *Distribution of EXIM approvals in relation to ambassadorial duration (months in current post)*



The patterns are consistent with the theory. Figure 7 shows no systematic difference in approval likelihood as ambassadors accumulate more months in their post. Econometrically, the coefficient on *duration* is statistically indistinguishable from zero, indicating that ambassadorial tenure does not predict EXIM approvals (Table 5, columns 1 and 2). Likewise, EXIM decisions do not appear to influence ambassadorial tenure, ruling out the possibility that support decisions trigger departures (Table 5, columns 3 and 4). Taken together, these findings show that ambassadorial experience does not mitigate—or amplify—the shock created by a vacancy, reinforcing the view that it is the absence of diplomatic services, not the prior ambassador's tenure, that drives firms' behavioral response.

Table 5: *Ambassador tenure (experience) is not related to EXIM decisions*

	Incidence of support		Tenure (months)	
Estimator:	Probit	Probit	OLS	OLS
	(1)	(2)	(3)	(4)
Tenure (months)	-0.001	-0.001		
	(0.001)	(0.001)		
Incidence of support			0.221	0.019
			(0.283)	(0.284)
Country controls	No	Yes	No	Yes
Country FE	Yes	Yes	Yes	Yes
Month x Year FE	Yes	Yes	Yes	Yes
No. observations	38,064	34,834	50,703	43,771
No. countries	151	138	189	161
R-squared	0.32	0.32	0.13	0.12

Notes: Standard errors, clustered at the country level in reported in parentheses. *, **, *** = significant at 10, 5, and 1 percent respectively. Tenure (months) counts the number of months the sitting (current) ambassador has been in her post. Incidence of EXIM support is a binary variable equal to 1 if the EXIM Bank approved insurance, guarantee, working capital, or loan (in the current month m to country c) and zero otherwise. Country controls include: log GDP per capita (2015 US$), V-DEM democracy score (0 to 1), membership in a BIT and FTA. These country characteristics, fixed effects for country and month x year, and a constant are not reported.

Differences across administrations. Finally, if ambassadorial vacancies function as impersonal informational shocks—rather than reflections of partisan preferences or ideological priorities—then their effect should not vary across U.S. presidential administrations. Although administrations differ in their approach to commercial diplomacy (e.g., Republican administrations often emphasize export promotion, see Milner and Tingley, 2010), our argument predicts that what matters is simply the absence of embassy services, not the political orientation of the government that failed to fill the post.

If vacancies operate as structural disruptions to the informational pillar of export support, their effect should be stable across political administrations. To assess this possibility, we identify whether a vacancy occurs during the first year of a new presidential term—periods when foreign economic priorities may shift and ambassadorial appointments may lag. We then interact this "new administration" indicator with the vacancy variable in our baseline specification, testing whether the effect of a vacancy is stronger, weaker, or unchanged during political transitions (Table 4, columns 2 and 4). In these specifciations, the coefficient on vacancy remains positive and statistically significant, while all interaction terms between vacancies and administration change are statistically indistinguishable from zero. This indi-

cates that the vacancy effect does not depend on which political party holds office or whether an administration is newly installed. These results reinforce the theoretical claim that the mechanism is structural and demand-driven: exporters react to the loss of embassy services, not to partisan or ideological shifts in Washington.

6 Conclusion

This paper demonstrates that exporters experience the state not as isolated bureaucracies but as a portfolio of informational and financial tools that firms actively rebalance when conditions change. Ambassadorial vacancies reveal this logic especially clearly. When the informational pillar of export promotion temporarily weakens—matchmaking slows, informal enforcement vanishes, and political access contracts—firms compensate by turning more heavily toward EXIM's financial instruments. The financial pillar remains fully intact; what changes is firms' need for it.

Our central finding is that this substitution is demand-driven. Vacancies do not alter EXIM's screening standards, risk ratings, decision authority, or project scale. Instead, exporters adjust their strategies in response to heightened uncertainty. Short-term insurance and working-capital guarantees become more attractive substitutes for the services ambassadors ordinarily provide. The result is a measurable reallocation across state-provided tools—one that would be invisible if ambassadors and ECAs continued to be studied separately.

These results have several implications for how we understand bureaucratic capacity and firms' behavior in global markets. First, state support for international commerce is inherently multi-pillar. Information, enforcement, and finance interact in ways that cannot be reduced to the mandate of any single agency. When one form of support falters, demand for the other shifts predictably. This suggests that the relevant unit of analysis is the portfolio of state-provided services, not the individual organization.

Second, the findings recast bureaucratic capacity as something firms experience dynamically. Administrative gaps—vacancies, rotations, understaffing—shape how credible and accessible state support appears at any moment. Diplomatic presence, in this sense, is a flow rather than a stock: even temporary reductions can alter firms' expectations and behavior.

Third, the paper contributes to research on the political economy of risk by highlighting a form of adaptation that is often overlooked. When uncertainty rises, firms do not only

exit markets or renegotiate terms; they reallocate across different arms of the state. This substitution logic plausibly extends beyond export promotion—to investment facilitation, development finance, regulatory enforcement, and domestic business support programs—whenever information and finance are jointly supplied by the state.

Our results open several avenues for future work. How do firms respond when informational gaps become chronic rather than temporary? Do experienced or politically connected firms rely less on state-provided information and more on private substitutes? How should governments structure coordination between diplomatic and financial agencies to minimize the economic consequences of administrative disruptions? Comparative work could further illuminate how different institutional designs amplify or dampen cross-pillar substitution.

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APPENDIX A: Data

Figures

Figure A1: *Distribution of loan decisions (country cumulative under 100)*

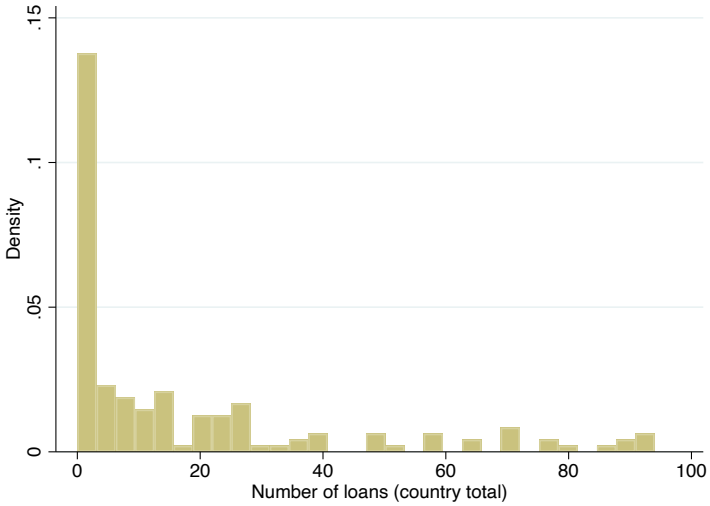


Figure A2: *Distribution of vacancies, country average*

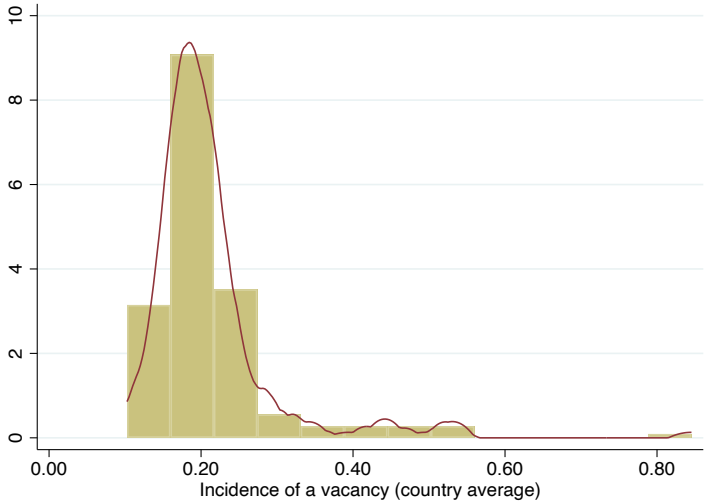
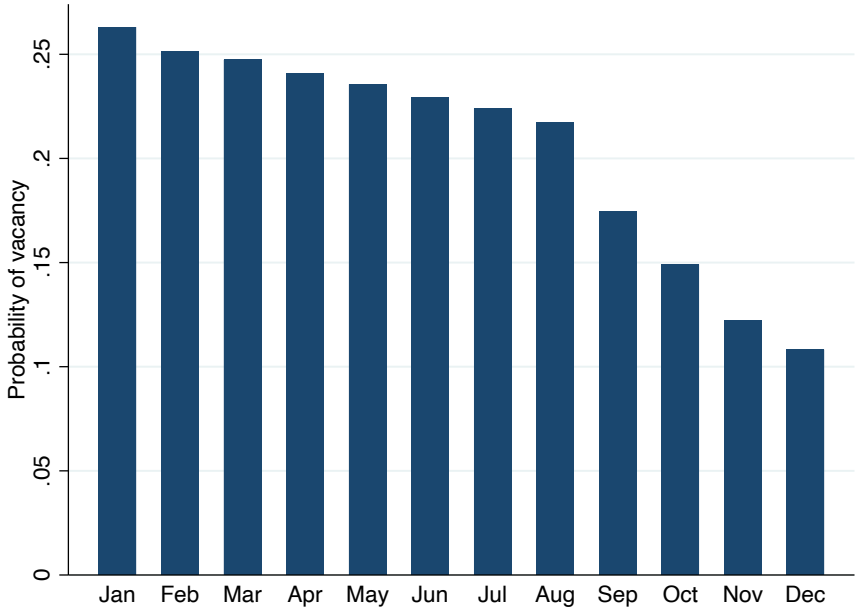


Figure A3: *Incidence of an ambassadorial vacancy, monthly average*



Tables

Table A1: *Summary statistics*

	Observation	Mean	Std. Dev	Min	Max
Decision	63,821	0.113	0.317	0	1
Vacancy	63,281	0.205	0.404 0	1	
Log GDP per capita (2015 US$)	59,956	8.394	1.463	5.222	12.11
Democracy	56,377	0.53	0.262	0.013	0.926
Member in U.S. BIT	63,821	0.180	0.384	0	1
Member in U.S. FTA	63,821	0.059	0.236	0	1

APPENDIX B: Additional results

Table B1: *The probability of a loan during an ambassadorial vacancy, excluding observations from each year (one-by-one)*

Dropped obs. from year:	Coeff.	Std. Dev	No. obs
1990	0.074	(0.030)**	43,342
1991	0.070	(0.030)**	42,375
1992	0.077	(0.031)**	42,582
1993	0.083	(0.029)***	42,244
1994	0.078	(0.031)**	42,530
1995	0.068	(0.031)**	42,410
1996	0.067	(0.030)**	42,386
1997	0.072	(0.032)**	42,374
1998	0.068	(0.030)**	42,386
1999	0.068	(0.031)**	42,088
2000	0.074	(0.030)**	42,398
2001	0.079	(0.029)**	42,386
2002	0.072	(0.030)**	42,064
2003	0.085	(0.029)**	41,745
2004	0.063	(0.028)**	42,338
2005	0.066	(0.032)**	42,018
2006	0.083	(0.031)***	42,302
2007	0.077	(0.030)***	42,314
2008	0.078	(0.029)***	42,314
2009	0.062	(0.031)**	42,350
2010	0.076	(0.030)**	42,158
2011	0.083	(0.030)***	41,762
2012	0.085	(0.029)***	42,382
2013	0.061	(0.032)*	42,410
2014	0.076	(0.030)**	42,314
2015	0.075	(0.029)***	42,845
2016	0.076	(0.030)**	42,314
2017	0.066	(0.031)**	42,019
2018	0.079	(0.031)***	42,031
2019	0.074	(0.030)**	43,970

Notes: Estimation via probit. Each row reports a specification that drops observations from the year described in the first column. Column (3) reports standard errors, clustered at the country level. *, **, *** = significant at 10, 5, and 1 percent respectively.

Table B2: *The probability of a loan during an ambassadorial vacancy - robustness to outliers, alternate samples, and estimators*

	Incidence of loan					
Sample	95/5 trim	90/10 trim	Omit zero	90/10 trim		
	(Vacancy)		(Loans)			
Estimation	Probit	Probit	Probit	Probit	Logit	OLS
	(1a)	(1b)	(2a)	(2b)	(3)	(4)
Vacancy	0.074	0.062	0.074	0.085	0.136	0.011
	(0.030)**	(0.025)**	(0.030)***	(0.030)**(	(0.057)**	(0.005)**
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Month x Year FE	Yes	Yes	Yes	Yes	Yes	Yes
No. observations	42,513	40,873	43,985	39,968	43,985	54,638
No. countries	134	129	139	126	139	161
Pseudo-R^2	0.32	0.33	0.32	0.28	0.32	0.31

Notes: Estimation via probit (columns 1 and 2), logit (column 3), ordinary least squares (4). Standard errors, clustered at the country level in reported in parentheses. *, **, *** = significant at 10, 5, and 1 percent respectively. Every specification controls for the following: log GDP per capita (2015 US$), V-DEM democracy score (0 to 1), membership in a BIT and FTA, fixed effects for country, year, and month. These coefficients and a constant are not reported. In columns 1a and 1b, the sample is "trimmed" based on the average country incidence of a vacancy. In columns 2a and 2b, the sample is "trimmed" based on the country average of loans. Column 2a drops observations from countries that receive no loans. Column 2b drops observations from the bottom and top decile of countries that receive loans. For instance, this includes dropping observation from Mexico, which receives the greatest number of EXIM loans.

APPENDIX C: Loan characteristics

Table C1: Comparison of loan value and recipient country risk characteristics between loans approved during a vacancy and non-vacancy period

	Vacancy	Non-Vacancy	Difference	Standard error
	(1)	(2)	(3)	(4)
Log loan value (US$)	12.515	12.37	-0.145	0.132
	(4.608)	(4.657)		
Contract viability	3.104	3.075	-0.029	0.022
	(0.620)	(0.616)		
Payment delays	2.901	2.881	-0.020	0.026
	(0.727)	(0.708)		
Corruption	2.84	2.893	0.053	0.033
	(1.120)	(1.111)		
Composite risk	70.428	70.76	0.332	0.235
	(7.916)	(8.039)		

Notes: The standard deviations corresponding to each group mean (in columns 1 and 2) are reported in parentheses. Column 3 reports the difference in group means (column 1 - column 2). In column 4, the standard error corresponds to the difference in group means.

APPENDIX D: Discounting alternate channels

Figure D1: Distribution of EXIM loan approvals in relation to ambassadorial duration (months in current post)